

No. 15,638

In the

United States Court of Appeals

For the Ninth Circuit

KEMART CORPORATION,

Plaintiff-Appellant,

vs.

PRINTING ARTS RESEARCH LABORATORIES,
INC.,

Defendant-Appellee.

Appellant's Opening Brief

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INDEX

	Page
Appellant's Opening Brief.....	1
Jurisdiction	2
Statement of the Case.....	3
Questions Presented	3
The Proceedings Below.....	4
The Evidence	7
Specification of Errors.....	21
Argument	22
Preface	22
Outline of Argument.....	24
The District Court Erred as a Matter of Law on Issue of Malice and Good Faith	25
The Ohio Case Law Negates the Defense of Good Faith.....	37
The Ohio Statutes Negate the Defense of Good Faith.....	41
The Ohio Constitution Precludes the Good Faith Defense.....	43
The Treaty of Paris Further Precludes the Good Faith Defense.....	44
The Paris Convention.....	45
The Convention Is a Part of Controlling Domestic Law.....	46
The Defendant's Conduct Is Forbidden by the Convention.....	49
Appellant's Rights Should Not Be Defeated by Implication.....	50
The History of the Treaty Negates Implied Exceptions.....	51
General Rules of Treaty Construction Also Negate Implied Excep- tions	54
The Weight of Sound Authority Negates the Defense.....	56
The District Court Erred in Basing Good Faith Upon the Opinion of Experienced, Although Interested, Patent Counsel.....	62
The Court Erred in Finding Justification in Plaintiff's Publications....	65
Plaintiff Should Have Been Awarded Reasonable Attorney's Fees.....	70
Conclusion	75

TABLE OF AUTHORITIES

CASES CITED	Page
Algren Watch Findings Co. v. Kalinsky (D.C. N.Y., 1951) 91 USPQ 369; affmd. (1st Cir. 1953) 197 F.2d 69.....	7
Alliance Review Pub. Co. v. Valentine (1895), 9 Ohio C.C. 387.....	70
Alliance Securities Co. v. DeVilbiss Mfg. Co. (6th Cir. 1930) 41 F.2d 668	32, 34, 35
American Ball Co. v. Federal Cartridge Corp. (8th Cir. 1934) 70 F.2d 579; 98 A.L.R. 665; 70 F.2d 582.....	32, 36, 60
American Well Works v. Layne, (1916) 241 U.S. 257; 60 L.ed. 987	23, 26, 60
Amiable Isbella, The, (1821) 6 Wheat. (19 U.S.) 1, 71; 5 L.ed. 191..	5
Bacardi Corp. v. Domenech (1940) 311 U.S. 150; 61 S.Ct. 219; 85 L.ed. 98.....	48, 54, 55
Barber-Colman v. Sampsel Time Control (D.C. Ill. 1948) 78 F. Supp. 770	7
Bayes v. Midland Casualty Co. (1915) 92 Ohio State 303; 110 N.E. 751	30
Bechtol v. Ewing (1913), 89 Ohio State 53; 105 N.E. 72.....	30
Bingham v. United States (1935) 296 U.S. 211.....	30
Black & Yates v. Mahogany Ass'n (3rd Cir. 1941) 129 F.2d 227; (cert. den.) 317 U.S. 672; 87 L.ed. 539; 63 S.Ct. 76.....	60
Blanc v. Spartan Tool Co. (7th Cir. 1949) 178 F.2d 104.....	70
Brennan v. Hawley Products Co. (D.C. Ill. 1951) 98 F. Supp. 369....	70
Byers v. Meridian Printing Co. (1911) 84 Ohio State 408; 95 N.E. 917	4
Cincinnati St. Ry. Co. v. Cincinnati Daily Tribune Co. (Com. Pleas, 1900), 10 Ohio Dec. 281.....	23, 30
Coats Loaders & Stackers, Inc. v. Henderson (6th Cir. 1956) 233 F.2d 915	30
Conroy v. Fall River Herald News Co. (1940) 306 Mass. 488; 28 N.E.2d 729; 132 A.L.R. 927.....	70
Cook v. United States (1933) 288 U.S. 102; 77 L.ed. 641.....	50
Dabney v. Russell (1935) 50 Ohio App. 43; 197 N.E. 409.....	70
Davidian v. Parparian (1932), 115 Conn. 718; 161 Atl. 769.....	60
Doe et al. v. Braden (1853) 16 How. (57 U.S.) 635; 14 L.ed. 1090..	50
Dopp v. Doll (1885) 9 Ohio Dec. Rep. 428; 15 Week. L. Bull. 335..	30

	Pages
Driffield & East Riding Pure Linseed Cake Company v. Waterloo Mills etc. Co. (1886) 31 Ch. Div. 638.....	58
E. Edelmann & Co. v. Triple-A Specialty Co. (7th Cir. 1937) 88 F.2d 852; cert. den. (1937) 300 U.S. 680; 81 L.ed. 884.....	61, 63
E. V. Prentice Co. v. Associated Plywood Mills (D.C. Oregon 1953) 113 F. Supp. 182.....	72
Eastern States Petroleum Co. v. Asiatic P. Corp. (2nd Cir. 1939) 103 F.2d 315	61
Edye v. Robertson (1844) 112 U.S. 580; 26 L.ed. 798.....	48
Emack v. Kane (N.D. Ill., 1888) 34 Fed. 46.....	36
Falkenberg v. Bernard Edward Company (D.C. Ill. 1950) 85 USPQ 127 (not rept. in F. Supp.).....	72
Finney v. Smith (1877) 31 Ohio State 529.....	23, 75
Gamble v. Akron B. & C. R. Co., (1900) 63 Ohio St. 352; 59 N.E. 99	30
Geofroy v. Riggs (1890) 133 U.S. 258; 33 L.ed. 642.....	49, 54
Gould v. Weed (1834) 12 Wendell (N.Y.) 12.....	69
Halsey v. Brotherhood (1880) 15 Ch. Div. 514; affm'd (1881) 19 Ch. Div. 386.....	57
Hauenstein v. Lynham (1879) 100 U.S. 483; 25 L.ed. 628.....	48
Hazel-Atlas Co. v. Hartford Co. (1944) 322 U.S. 238.....	73
Heimlich v. Dispatch Prtg. Co. (1916) 18 Ohio N.P. (N.S.) 505....	36
Henry Gehring Co. v. McCue (1926), 23 Ohio App. 281; 154 N.E. 171	23, 25, 26, 30, 39
Hilbrandt v. Simmons (1898) 18 Ohio C.C. Dec. 123.....	69
International Industries & Developments, Inc. v. Farbach Chemical Co., Inc. (S.D. Ohio 1956) 145 F. Supp. 34; affm'd (6th Cir. 1957) 241 F.2d 246; 110 USPQ 361.....	24, 33, 35, 63, 72
Ira M. Petersime & Son v. Robbins (10th Cir. 1936) 81 F.2d 295; cert. den. (1936) 299 U.S. 553; 81 L.ed. 407.....	63, 68
Joseph v. Cristy (1882) 8 Ohio Dec. Rep. 476; 8 Week. L. Bull. 190..	38

	Page
Kahn v. Cincinnati Times-Star (1890) 8 Ohio N.P. 616; 10 Ohio Dec. 599; affm'd (1895) 52 Ohio State 662; 44 N.E. 1132....	23, 38, 75
Kaplan v. Helenhart Novelty Corp., 182 F.2d 311 (2nd Cir. 1950) ..	31
Kemart Corporation v. Printing Arts Research Lab. (9th Cir. 1953) 201 F.2d 624.....	2, 5
Kemart Corporation v. Printing Arts Research Lab. (9th Cir. 1956) 232 F.2d 897.....	1, 2, 5
Kemart Corporation v. Printing Arts Research Lab. (S.D. Cal. C.D. 1956) 146 F. Supp. 21.....	1
Leavenworth, etc., R.R. Co. v. U. S. (1875) 92 U.S. 733; 23 L.ed. 634	55
Mason v. Stacey & Carrol (1879) 7 Ohio Dec. Rep. 567; 3 Week. L. Bull. 1100	38
Master, Wardens, etc. v. Cribben & Sexton Co. (CCPA 1953) 202 F.2d 779	47
Maytag Co. v. Meadows Mfg. Co. (7th Cir. 1931) 45 F.2d 299; cert. den. (1931) 283 U.S. 843.....	68
McCue v. Wells (1929) 121 Ohio State 53; 166 N.E. 892.....	24, 25, 28, 30-31, 39, 62, 63
Metro-Goldwyn-Mayer Corporation v. Fear (9th Cir. 1939) 104 F.2d 892	30
Meyer v. Parr (1941) 69 Ohio App. 344; 37 N.E.2d 637.....	42
Mulcahy v. Deitrick (1931) 39 Ohio App. 65; 176 N.E. 481.....	39
Norcross v. Commercial Credit Co. (1950) Ohio Appeals Unreported 55 N.E.2d 598.....	64
Oil Conservation Engineering Co. v. Brooks Engineering Co. (6th Cir. 1931) 52 F.2d 783.....	31, 34, 35
Oklahoma v. Texas, 260 U.S. 606; 67 L.ed. 428.....	51
Peer v. Hoiles (1925) 3 Ohio L.Abs. 653.....	39
Pennsylvania R. Co. v. Chamberlain (1932) 288 U.S. 333; 77 L.ed. 819	60
Post Publishing Co., The, v. Moloney (1893) 50 Ohio State 71.....	42

TABLE OF AUTHORITIES

v

	Pages
Rheinstron v. Steiner (1904) 69 Ohio State 452; 69 N.E. 745.....	30
Russell Box Co. v. Grant Paper Box Co. (2nd Cir. 1952) 203 F.2d 177; cert. den. (1953) 346 U.S. 821; reh. den. (1953) 346 U.S. 905	72
Seely v. Cole (1834) Wright 681.....	67
Sexton v. Todd (1833) Wright 316.....	75
Shingle Products Patents v. Gleason (9th Cir. 1954) 211 F.2d 437....	74
Skinner & Co. v. Shew & Co. (1892) 1 Chan. 413.....	58
Society for the Propagation of the Gospel v. New Haven (1823) 8 Wheat. (21 U.S.) 464; 5 L.ed. 662.....	55
Stauffer v. Exley (9th Cir. 1950) 184 F.2d 962.....	48
Sternberg Mfg. Co. v. Miller Du Brul & Peters Mfg. Co. (C.C.A. 8, 1909) 170 Fed. 298.....	68
Stevens and Wife v. Handly (1832) Wright 121.....	74
Udovichky v. Kacheff (1921) 187 N.Y.S. 474.....	67
Union v. United Battery Service Co. (1929) 35 Ohio App. 68; 171 N.E. 608	64
Union Central Life Ins. Co. v. Mutual Benefit Life Ins. Co. et al. (1877) 6 Am. Law. Rec. 382; 5 Ohio Dec. Rep. 521; 2 Week. L. Bull. 269	23, 38
Vanity Fair Mills v. T. Eaton Co. (2nd Cir. 1956) 234 F.2d 633.....	48
Watson v. Trask (1834) 6 Ohio 532.....	23, 24, 37, 42, 56, 60
Weirick v. Lumber Co. (1917) 96 O.S. 386; 117 N.E. 362.....	43
Westlake v. Westlake (1878) 34 Ohio State 621.....	42
Westropp v. E. W. Scripps Co. (1947) 148 Ohio State 365; 74 N.E. 2d 340.....	40
White v. Carr (1880) 71 Maine 555.....	64
Wren and another v. Weild (1869) The Law Reports 4 Q.B. 730....	56, 57

STATUTES AND RULES

Constitution of Ohio.....	21, 24, 43, 44, 56, 62
Constitution of the United States.....	45
Convention for the Protection of Industrial Property of the Union of Paris (53 Stats. 1748).....	21, 24, 44-45, 46, 56, 62

	Pages
Federal Rules of Civil Procedure.....	3
Lanham Act of 1946 (60 Stats. 427).....	47
Ohio Revised Code, § 2901.37.....	41
Ohio Statutes:	
§ 2317.04 (GC § 11343-1).....	41, 42
§ 2317.05 (GC § 11343-2).....	41
§ 2739.02 (GC § 11342).....	41
U. S. Code, Title 15:	
§ 1126	45, 47
§ 1127	45, 47
U. S. Code, Title 28:	
§ 1291	3
§ 1331	3
§ 1332	2
§ 1338	3
§ 1652	45
§ 2107	3
§ 2201	3
§ 2202	3
U. S. Code, Title 35, § 285.....	25, 70, 74

OTHER AUTHORITIES

Actes de la Conference reunie a La Hague.....	51
Callmann, Unfair Competition and Trade-Marks, 2nd Ed., Vol. 4....	53
Ladas, International Protection of Industrial Property.....	53
National Lithographer, The.....	14
Photoengravers Bulletin	10, 12, 14, 15
132 A.L.R. 932—Provocation as Mitigating Damages in Action for Libel or Slander.....	70
15 C. J. S. 956—Conflict of Laws § 22k.....	74

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Appellant's Opening Brief

This appeal is from the judgment entered by the District Court, District Judge Mathes presiding, upon the mandate of this Court in *Kemart Corporation v. Printing Arts Research Lab.* (9th Cir. 1956) 232 F.2d 897, Docket 14,299.

The memorandum decision of the District Court is reported as *Kemart Corporation v. Printing Arts Research Lab.* (S.D. Cal. C.D. 1956) 146 F. Supp. 21.

This case is now before this Court on the merits of (1) plaintiff's claim for damages resulting from the defendant's alleged wrongful acts and doings in publishing false charges that plaintiff and plaintiff's Kemart process infringed defendant's Marx patent 2,191,939 and (2) plaintiff's claim that it is entitled to statutory attorney's fees for defending a patent infringement counterclaim

wrongfully charging it with infringing said Marx patent 2,191,939. The District Court decreed that plaintiff shall take nothing by said claim, and that plaintiff shall receive no award of attorney's fees. This appeal followed.

This case is before this Court for the fourth time. On appeal No. 12,948, this Court held that plaintiff did not infringe said Marx patent 2,191,939, and ordered that defendant's counterclaim for patent infringement be dismissed (*Kemart Corp. v. Printing Arts Research Laboratories* (9th Cir. 1953) 201 F.2d 624). Appeal No. 13,601 (entitled as above) became moot upon the decision in No. 12,948, and was dismissed. On appeal No. 14,299 this Court upheld in the main the taxation of costs ordered by the District Court upon the return of the mandate on appeal No. 12,948, but this Court further held that plaintiff was entitled to a determination of its claims for damages and statutory attorney's fee (*Kemart Corporation v. Printing Arts Research Lab.* (9th Cir. 1956) 233 F.2d 897).

By a stipulated order entered on August 20, 1957, the prior printed records may be considered by this Court without the necessity of reproduction (R. 292). In this brief, record references (R.) refer to the instant appeal No. 15,638; record reference (RA.) refer to printed record on appeal No. 12,948; record references (RB.) refer to the printed record on appeal No. 13,601; and record references (RC.) refer to the printed record on appeal No. 14,299.

JURISDICTION

Jurisdiction of the District Court is based upon diversity of citizenship and amount in controversy under U. S. Code, Title 28 Section 1332 (R. 20, 30). Plaintiff is a California corporation (R. 1, 9); defendant is a Delaware corporation (R. 1, 10); and the amount in controversy is in excess of \$3,000 exclusive of interest and costs (R. 4, 11). The District Court also appears to have

jurisdiction under U.S. Code, Title 28, Sections 1331, 1338, 2201 and 2202.

Jurisdiction of this Court is based upon U.S. Code, Title 28, Section 1291, the appeal being from a final decision of the District Court entered on December 19, 1956 (R. 26-32). A timely motion to amend was filed on January 2, 1957 (R. 32-54) and was denied on January 4, 1957 (R. 55). The notice of appeal was filed on January 21, 1957 (R. 56), within thirty days after the denial of the motion to amend as required by U.S. Code, Title 28, Section 2107 and Rules 73(a) and 73(b) of the Federal Rules of Civil Procedure.

STATEMENT OF THE CASE

Questions Presented.

This appeal involves the following principal questions:

1. Where a patentee, at a national trade convention held in Ohio, publishes written charges that its competitor and its competitor's process licensed to the industry both infringe the patentee's patent, and where the patentee subsequently repeats such charges in advertising and in press releases published in a national trade journal, and where such charges are later determined to be false, is it a complete defense to a claim for damages that the patentee reasonably and in good faith believed the charge of infringement to be true and that it was not prompted by malice but acted solely in defense of its patent?

The District Court in its Conclusion of Law No. 6 (R. 30-31) answered this question in the affirmative. Appellant contends that defendant's good faith and absence of malice, even if proved, do not constitute a complete defense to plaintiff's claims for damages arising from publications of such false charges of patent infringement.

2. If question 1. is answered in the affirmative, does the record establish the defense that defendant reasonably and in good faith did believe the charge of infringement to be true, that it was not

prompted by malice, and that it acted solely in defense of its patent?

The District Court answered this question in the affirmative in its Findings of Fact Nos. 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 (R. 27-30). Appellant contends that the evidence does not support the defense, even if it were a legally complete defense.

3. Are attorney's fees proper where the action is brought about by defendant's publication, in Ohio, of defamatory charges directed toward plaintiff and plaintiff's process, where defendant at the time of publishing the charges had made no factual investigation of plaintiff's process, where defendant at the trial misrepresented the scientific background of its only witness and the state of prior art, and where defendant throughout the proceedings manifested personal animosity toward plaintiff?

The District Court found that attorney's fees were not justifiable upon such a record (Findings No. 10, 11, 12, 13, 14, 15, Conclusion No. 11, Judgment paragraph 3, R. 29-32). Appellant contends that, upon the instant record, a denial of attorney's fees is an abuse of discretion.

The Proceedings Below.

Plaintiff commenced the instant action by a complaint filed on November 23, 1948 praying for declaratory relief and for damages resulting to plaintiff from defendant's wrongful acts and doings in connection with circulating letters and statements that plaintiff's process, the Kemart process, is an infringement of Marx patent 2,191,939, in as much as the plaintiff's process does not individually or collectively infringe said patent or any claim thereof (R. 7-9). Defendant on March 4, 1949 filed its answer to the complaint (R. 9-13) together with a counterclaim (R. 13-14). On October 24, 1949 defendant filed an amended and supplemental counterclaim charging plaintiff with infringing all of the claims of patent 2,191,939 with the exception of claims 5 and

7 thereof (R. 14-15). Plaintiff in its answer to the counterclaim denied both validity and infringement (R. 15-19).

The District Court, on January 31, 1951, adjudged that plaintiff was guilty of infringing all of the claims patent except 5 and 7 thereof (RA. 53-56). This Court, on appeal No. 12948 found that plaintiff did not infringe said Marx patent and reversed the judgment of the District Court with instructions to dismiss the counterclaim (*Kemart Corp. v. Printing Arts Research Laboratories* (9th Cir. 1953) 201 F.2d 624).

During the pendency of appeal 12948, plaintiff brought a motion to modify the injunction (RB. 3-13). This motion was denied (RB. 39). Plaintiff then brought appeal No. 13601 in this Court (RB. 1-44 and accompanying exhibits). Appeal No. 13601 was dismissed by stipulated order on January 28, 1954, the question on appeal having become moot by virtue of the decision in appeal 12948.

On December 7, 1953, the District Court entered its judgment pursuant to the mandate of this Court on appeal No. 12948, and struck out of a proposed judgment paragraphs 9 and 12 relating to damages and to the assessment of reasonable attorney's fees (RC. 13-14). Plaintiff appealed to this Court on appeal No. 14,299. This Court reversed the judgment of the District Court with instructions to answer the questions relating to plaintiff's claim for damages and a reasonable attorney's fee (*Kemart Corporation v. Printing Arts Research Lab.* (9th Cir. 1956) 232 F.2d 897).

The District Court then granted a hearing on these questions. New and further evidence directed to these issues was presented (R. 81-204, 251-288). By consent of both parties, the District Court reserved the issue as to the amount of damages until after a ruling on the question of liability (R. 101).

The District Court on November 5, 1956 handed down its memorandum order for findings of fact, conclusions of law, and judgment in favor of defendant (R. 20-26). In the main, the

District Court was of the view that defendant reasonably and in good faith believed, upon advice of counsel, the charges of infringement to be true, that it was not prompted by malice, but that it had acted solely in defense of the patent and that such conduct was a complete defense to a claim for damages.

On December 19, 1956, the District Court entered its findings of fact, conclusions of law and judgment (R. 26-32).

The crucial Findings of Fact are that defendant believed that the Marx patent was valid and infringed by virtue of an opinion of experienced, although interested, patent counsel and not upon careless ascertainment of defendant's patent rights; that the publications by defendant were for the purpose and with the intention on the part of defendant to defend its own patent interests, rather than to injure plaintiff's business; that the charges of infringement were made in good faith without malice to interested persons; and that its misrepresentation as to the scientific background of its only witness and as to the state of the prior art were not material (Findings No. 2, 4, 5, 6, 7, 8, 11, 12, R. 27-29).

The crucial Conclusions of Law are that the Ohio law grants a qualified privilege to publications of false charges of infringement provided only that good faith and absence of malice constitute a complete defense to a claim of unfair competition or trade libel (Conclusion No. 6, R. 30-31) so that plaintiff is not entitled to attorney's fee (Conclusion No. 11, R. 31).

Plaintiff on January 2, 1957 filed its motion to amend findings of fact and conclusions of law, to make new findings and conclusions and for the entry of a new judgment (R. 32-54). The District Court denied this motion on January 4, 1957 (R. 55).

After the notice of appeal was filed on January 21, 1957 (R. 56) plaintiff brought a motion to vacate and set aside the final judgment (R. 56-67). On June 21, 1957 the plaintiff's motion to vacate the final judgment was denied (R. 67-69).

The Evidence.

Since the decision below was decided against it, plaintiff cites only undisputed evidence, such as defendant's admissions, stipulated facts, documentary evidence, and un rebutted oral testimony of plaintiff's witnesses in detailing the material evidence.

Plaintiff and defendant are business competitors in their respective businesses of granting licenses under their respective processes, i.e. the "Kemart Process" of plaintiff and the "Fluorographic Process" of defendant, and they have been such competitors ever since June, 1947 (Finding 1-D, R. 27). The parties have stipulated that the business of plaintiff is that "of granting and renewing and servicing licenses to photoengravers and lithographers throughout the United States under the Berry patents numbers 2,395,985 and 2,395,986." (R. 26).

On October 6, 1948, one Albert G. McCaleb prepared a written opinion addressed to defendant in which he said (defendant's exhibit RR, R. 287-288):

"Re: Your Marx Patent No. 2,191,939 dated February 27, 1940 and its infringement by the Kemart process of making half-tone negatives.

"Pursuant to your recent request, I have reviewed your above identified patent, and the application therefor, and have familiarized myself with the above mentioned Kemart process, to determine whether or not such process infringes such patent.

"My conclusions, tersely stated, are as follows:

"(1) Anyone who practices the Kemart process infringes several claims of your patent aforesaid.

"(2) The Kemart Corporation, sponsor of the Kemart process, is contributorily infringing such patent when it furnishes infringers thereof with supplies, equipment and instructions facilitating their practice of such Kemart process.

"(3) Nothing in either the history of the application for your said patent or any prior art patent or publication which has come to my attention casts any doubt upon the validity of such patent or any of the claims thereof; I believe your

said patent will be adjudged valid, and that its claims will be accorded substantial scopes, if it is subjected to the test of litigation.

"The Kemart process, in which is employed the so-called Kemart neutralizer (a material absorptive of ultra-violet light) is but a variation of the fluorographic process as disclosed in your subject patent,—a variation of the fluorographic process which plainly falls within and is covered by a number of the patent claims. Even if the Kemart neutralizer were not absorptive of ultra-violet light, the Kemart process would still infringe your herein discussed patent, and more particularly claim 12 thereof; but since such neutralizer is in fact absorptive of ultra-violet light, infringement of several additional claims of the patent by the Kemart process is abundantly clear.

"I recommend that all users of the Kemart process, in so far as you are able to identify them, be notified of the existence of your aforesaid patent No. 2,191,939, its nature and coverage, and their infringement thereof."

On their way to the Cleveland convention of the American Photoengravers Association, Walter S. Marx and William Pensinger discussed the matter of alleged infringement with Mr. McCaleb at his office in Chicago (R. 177). At the time of this meeting, Mr. Marx had not yet "seen any copy that purported to be Kemart copy" (RA. 502). He did not recall what he told Mr. McCaleb about the Kemart process (R. 192). Marx was familiar with both of the Berry patents (R. 191), and believed from a study of them that the Kemart process did infringe his patent (R. 178). On the other hand, the earlier decisions of the Board of Appeals of the Patent Office on June 28, 1945 had found the Kemart process to be quite remote from the Marx patent (R. 251-262).

At the time of this meeting in Chicago, Mr. McCaleb was the president and one of the directors of the defendant and was in charge of the corporate records, formal papers, legal correspondence and patent papers (R. 184, RA. 414-415). William Pensinger

was vice-president in charge of sales efforts and correspondence (R.A. 413; R. 184). Walter S. Marx was the largest stockholder of the company and was in charge of the non-sales efforts of the corporation including scientific research and executive efforts (R.A. 411-413).

The record does not disclose that defendant ever obtained an opinion from disinterested outside counsel.

Shortly before noon on October 7, 1948, the opening day of the convention at the Hotel Statler in Cleveland, Walter Marx and William Pensinger, who were representing defendant at the Cleveland convention, beckoned to Frank Adams, who was representing plaintiff at the convention. Adams went across the room, whereupon Marx and Pensinger showed him the McCaleb letter (R. 94, 147, 180).

Marx and Pensinger stated that "they felt that what Kemart was doing in its business was an infringement of their patent which they were licensing under the fluorographic process" (R. 94). Adams responded "I thought it was not. And prior to engaging in the licensing of the Kemart process we had made a thorough study of that matter" (R. 94). The parties did not reconcile their different opinions and Adams left (R. 94).

Frank Adams then discussed the letter with Joe Mertle at luncheon (R. 136-137). Mr. Mertle was a technical adviser for plaintiff (R. 96, 147).

After lunch Mertle approached Marx and asked what the discussion was all about in relation to a patent suit (R. 181). Marx showed Mertle the McCaleb letter (R. 180-181, see also R. 147). At this time, Mr. Pensinger, possibly Mr. Frye, and possibly others were present (R. 181).

Later in the day, Louis Flader said something to the effect, "I hear there is a battle between you people and Kemart. What is it all about?" (R. 181-182). Mr. Marx showed Mr. Flader the McCaleb letter (R. 147-182). The record does not disclose how Mr. Flader learned of the controversy. Mr. Adams testified, with-

out rebuttal, "I am sure I didn't (mention the letter) with Mr. Flader" (R. 140).

Mr. Flader was secretary of the Photoengravers Association and the editor of the Photoengravers Bulletin, which is the trade journal which circulates to everyone in the industry (R. 95, 147-148, 181-182). Mr. Adams stated that "Mr. Flader, * * * is without doubt, the leading figure in the entire association" (RA. 321)

And at the final argument, defendant conceded:

"* * * the purpose of the Photoengravers Bulletin is to get news; get the warning out you might say. The people who are going to listen to that are the users, the direct infringers, who should be notified." (R. 243)

Later in the day Mr. Marx showed the McCaleb letter to Mr. H. B. Latimer and Mr. Paul Schmidt (R. 147, 182-183). Mr. Latimer and Mr. Schmidt were representatives of the Harold M. Pittman Company, which was a distributor of both "Fluorographic" and "Kemart" supplies. Although Mr. Marx testified that Mr. Latimer and Mr. Schmidt approached him, the record does not disclose how they learned of the controversy. Mr. Adams was "quite sure" that he didn't discuss the letter with Mr. Schmidt prior to the time Mr. Schmidt mentioned the letter to Mr. Adams (R. 138).

That evening Mr. Schmidt and Mr. Flader both told Mr. Adams that they had seen the letter (R. 95). With reference to the Schmidt meeting, Mr. Adams testified that "the thing that sticks in my mind importantly is that he came to me and told me he had seen that letter. And that is something that is indelibly ingrained because that was quite a shock" (R. 139). With reference to Mr. Flader Mr. Adams testified "I remember seeing him, and I remember him telling me he'd seen the letter from Mr. Marx and asking me what I thought about it" (R. 139).

Shortly after the convention, Mr. Marx instructed patent counsel for defendant to obtain proof of infringement and other information requisite to the filing of a suit of a direct infringement

against some one representative user of the Kemart process (R. 147).

On November 10, 1948, Mr. McCaleb wrote directly to Kemart and referred to a copy of the October 6, 1948 letter handed to Mr. Adams at the Cleveland convention (plaintiff's exhibit 29, RA. 745-747). After quoting this earlier letter, Mr. McCaleb stated:

"I have now been instructed to institute suit for infringement of the above identified patent against a representative user of the Kemart process, and intend so to do just as soon as certain prerequisite information can be obtained.

"If you defend such action, I shall suggest that your counsel and I stipulate as to the several steps of the Kemart process as practiced by the defendant and the nature of the devices and materials employed by the defendant in performing such process—so that the need for calling the defendant's officers and employees as witnesses may be minimized or eliminated.

"* * * Possibly you may want to have decided in the same case the related question of contributory infringement affecting you. If so, I shall be glad to cooperate with your counsel to that end." (RA. 747)

On November 23, 1948, plaintiff filed its complaint in which it alleged that its process did not infringe the Marx patents (Par. 13, R. 7); that it and its licensees did not propose to violate defendant's rights (Par. 14, R. 7); and that "Defendant has circulated letters and statements that plaintiff's process, the Kemart Process, is an infringement" of the Marx patents to plaintiff's damage (Par. 14, R. 7-8). Plaintiff asked for declaratory judgment of non-infringement, for attorney's fees and for "damages resulting to plaintiff from defendant's wrongful acts and doings" (R. 8-9).

On the same day, plaintiff sent a letter to all of its licensees advising them that the litigation was instituted, "for the purpose of protecting you and ourselves against a series of threats by the representatives and employees of Printing Arts Research Lab-

oratories, Inc. which has expressed its opinion that the use of the Kemart Process in some way infringes the Marx patent" (R. 98-99; plaintiff's exhibit 60, R. 265-267). The letter was reproduced in The Photoengravers Bulletin for December 1948 (defendant's exhibit NN, R. 284-286), in response to a letter from Mr. Adams to Mr. Flader (R. 99, 120). Mr. Adams, without rebuttal, testified that he knew of no untrue statements in the publication (R. 120).

Five months later, The Photoengravers Bulletin for May 1949, republished charges of defendant that plaintiff and its licensees infringed the Marx Patent, and threatened that defendant intended to file a suit against a user of the Kemart Process "for the protection * * * of licensees of the Fluorographic Process, and in its own interests" (plaintiff's exhibit 34, R. 263-265). This publication states, "Kemart Licensees Liable to Lawsuit" (R. 263); that "any maker of half-tone negatives from wash drawings, by the Kemart Process is liable to suit for the direct infringement of the Marx Patent No. 2,191,939 owned by" defendant (R. 264); and that "our competitor * * * has simulated our patented process" (R. 265).

Reaction was prompt.

Columbian Lithographing Company stated "we, * * * cancel our license agreement with you herewith and will ignore all monthly statements rendered by you to us" (Letter dated May 18 1949, plaintiff's exhibit 62, R. 269-270).

The Eclipse Electrotpe & Engraving Company, Inc., stated "This I cannot understand as we contracted for this in good faith and am now reluctant to use the Kemart Process until some understanding is reached. We have a sizeable investment in this and hope for a speedy settlement of this dispute which has now strangled part of our business and production" (Letter dated May 27, 1949, plaintiff's exhibit 65, R. 272-273).

G. C. Dom Supply Company stated: "The effect has been to create confusion, virtually prevent further Kemart promotion by

Kemart Licensees to their customers, and completely curtail our Kemart agent sales to prospective Kemart Licensees. * * * We urge you to take whatever steps you can to reassure your licensees that they will be protected under the existing patent laws and that the financial damages already done will be righted" (Letter dated May 27, 1949, plaintiff's exhibit 66, R. 273-274).

Advertisers Engraving Company and The Kenand Photo Engraving Co. stated: "* * * we feel a deep distrust and fear of using the Kemart Process. Up until the time we receive from you assurance that we will receive complete protection in the event patent infringement suit should be brought, we will discontinue the use of the Kemart process. Should a suit as heretofore mentioned be successfully pursued against us, it would do us irreparable damage financially and would certainly harm our reputation in the graphic arts industry resulting in a great loss of business to us" (Letter dated June 6, 1949, plaintiff's exhibit 67, R. 275).

Pacific Press Inc., stated: "Will you please return to us our copy of the contract which we signed with your corporation? The question of possible litigation against licensees we want to turn over to our attorney for investigation. * * * The Kemart system is working very nicely, and I hope we will be able to retain it" (Letter dated June 7, 1949, plaintiff's exhibit 68, R. 276).

Nassau Photo-Engraving Co., Inc. stated: "* * * we are still waiting to hear the results of the infringement patent injunction, issued by the courts, against the Kemart association" (Letter dated June 29, 1949, plaintiff's exhibit 69, R. 276-277).

Southwestern Engraving Co., Inc. stated: "* * * when all litigation has been straightened out, we will be in a more receptive mood" (Letter dated June 29, 1949, plaintiff's exhibit 70, R. 277-278).

Production Yearbook stated: "As we are about to start on press with our Ninth Production Yearbook, we have received word

about the patent dispute in which Kemart is involved. * * * It puts us in a not too comfortable position legally. We have taken the matter up with our legal consultants and have been strongly advised to omit the editorial material on Kemart until the situation is clarified" (Letter dated July 18, 1949, plaintiff's exhibit 72, R. 279-280).

The Krus Company stated: "* * * we have no desire to become involved in a three cornered dog fight" (Letter dated July 18, 1949, plaintiff's exhibit 73, R. 280-282).

In June 1950, defendant again publicized the litigation in both The Photoengravers Bulletin and The National Lithographer (plaintiff's exhibit 74, R. 282, see also R. 122). This article referred to the Los Angeles suit "in which the Kemart process of making highlight halftone negatives is charged to infringe the Fluorographic patent" and to a Chicago suit brought against "a representative user of the Kemart process" (R. 282).

Following this, Bee Engraving stated: "The last word I have had from our attorneys is that we had better wait until your suit is settled before doing anything with the Kemart equipment. * * * We had another inquiry the other day from a customer who was interested in using Kemart but we had to tell him that as yet, we cannot use it" (Letter dated September 8, 1950, plaintiff's exhibit 75, R. 283).

Lyle P. Youngdahl, was a salesman for Kemart Corporation (R. 148). Although lacking specific memory for specific times, places and names, he testified generally, that meanwhile the Krus Company was a leader in the Milwaukee area, and that they said that "they were afraid of possible litigation" (R. 152); that Mr. Nelson of the Repritone Company, in Kansas City, in the middle of 1950 said "he would not do business because he was afraid of possible litigation, being sued by the Fluorographic Company" (R. 155-156); that the Bee Engraving said: "they were afraid of possible litigation, and being sued by the Printing Arts Research"

(R. 156); and that there were numerous other instances of which he could not recall specific ones (R. 157).

While speaking generally, Frank P. Adams, in referring to the sales curve of plaintiff stated that "it was diminished, I think, relative to what it would have been in '49. But the actual turn-down in net results didn't occur until the middle of 1950" (R. 133).

In the interim and prior to the May 1949 publication in The Photoengravers Bulletin, plaintiff took the discovery deposition of Marx in Santa Barbara commencing April 1, 1949 (RA. 405-409). During the course of examination, Marx admitted that he was only familiar with "some phases of the Kemart process" (RA. 494) and that this familiarity was "obtained from the literature and hearsay" (R.A. 494). Marx stated that to the best of his recollection he had not "seen any copy of what purported to be Kemart copy" (RA. 502). Mr. Goux conceded (RA. 499) "* * * I have never had a piece of paper in my hand that I know to be Kemart paper, nor have I ever had in my hand any paper that I was told was Kemart paper, save and except these two sheets of paper which you say are Kemart paper." He continued (RA. 499) "As to Mr. McCaleb in Chicago, I don't know. He will have to answer for himself. I don't know." Counsel for plaintiff then offered to furnish defendant with anything "you wish us to furnish in the way of Kemart products" (RA. 506).

At this hearing plaintiff struggled for two full days to get answers to the simplest questions, but was blocked by objections (RA. 410, 417, 418, 419, 420, 425, 426, 427, 428, 431, 436, 488, 498, 502). On May 10, 1949, the depositions were resumed following an application to the District Court dated April 11, 1949 to compel answers (RA. 509). However, by stipulation of counsel it was agreed that all questions propounded to the witness would be answered upon resumption of the deposition (RA. 509-510). At this hearing Marx admitted that he had received from the plaintiff certain samples of their products, but that "there has not

been time even to unwrap that shipment" (RA. 529-530). Up to May 10, 1949, Marx admitted "I have made only cursory ventures into the Kemart Process,—not by any means exhaustive" (RA. 531). He stated, "My investigations were merely theoretical and abstract, so to speak, without going into actual camera operation" (RA. 531). At this hearing, Marx in describing the Kemart drawing stated, "the drawing is prepared so as to absorb ultra-violet light in its tone areas while reflecting ultra-violet light from its highlight areas" (RA. 529).^{*} By May 10, 1949, Marx had "superficially examined the Kemart neutralizer and what seemed to be the Kemart paper, and possibly one or two other materials that Kemart makes" (RA. 531-532).

During the pendency of the suit and "particularly since April of 1949," Marx had the opportunity "to study and practice the procedural steps in the accused Kemart process" (RA. 172). He then availed himself of those opportunities and read the Kemart literature (RA. 172). He then practiced the process in accordance with the Kemart literature and materials (RA. 175). And on October 24, 1949, defendant, in its amended and supplemental counterclaim eliminated claims 5 and 7 from the charge of infringement (R. 14-15) and from its earlier all-inclusive counterclaim of March 4, 1949 (R. 13-14). We note that this is subsequent to both the October 7, 1948 and May 1949 all-inclusive publications (defendant's exhibit RR, R. 287-288; and plaintiff's exhibit 34, R. 263-265).

On October 24, 1950 (RA. 95) the case was heard on the first trial. At this hearing Walter S. Marx testified not only as a fact witness, but also as an expert witness. With reference to Mr. Marx's expert qualifications counsel stated, "I concluded that Mr. Marx was good enough as an expert, so I have not called any other expert" (RA. 536). Marx specifically referred to his

^{*}It was not until the trial of the case on October 25, 1950, that Marx admitted that "ultra-violet light is absorbed in the highlight areas of the Kemart copy" and is also "absorbed in the tone areas" (RA. 273).

"background of science" (RA. 134). Defendant also introduced in evidence exhibit OO (RA. 162). The second page recites (R. 286-287):

"Mr. Marx's technical training has been unusually comprehensive. It includes, after specialized training at eastern universities, post graduate work in spectral analysis and physical chemistry."

At the retrial Marx conceded that he did not graduate from any college (R. 196); that he "didn't study spectral analysis anywhere." (R. 196-197), and that he did not study physical chemistry (R. 197).

With respect to his formal education, Marx testified that he:

"Graduated from high school in 1924 in St. Louis, attended Dartmouth College, University of Pennsylvania, Columbia University, from 1924 to 1929, and about 10 years later studied chemistry at the University of Southern California." (RA. 112).

On cross examination, Marx testified, in describing his courses in study at Dartmouth,

"I was at Dartmouth for only one year, or less than a year, and studied for a regular Bachelor of Arts degree." (RA. 235)

With respect to the Dartmouth College education, Robert Conant, Registrar of Dartmouth College, wrote:

"A careful examination of the official records of the college fails to reveal any evidence of matriculation of any person by the name of Walter S. Marx, Jr." (RA. 765)

In response, Marx stated under oath:

"* * * this affiant did attend Clark's school at Dartmouth College, Hanover, New Hampshire* * *." (RA. 805)

Robert Conant then advised:

"Clark School is a private secondary school not a college and has no affiliation with Dartmouth College though located in Hanover—". (RA. 771)

At the latest hearing Marx admitted "I was absolutely wrong in my statement that I went to Dartmouth College" (R. 195). In explaining what happened he said: "I went to Clark School, which is a prep school in Hanover, New Hampshire, in the same city where Dartmouth is located. A few of the faculty members of the Clark School were also Dartmouth faculty members and often Dartmouth students would come to Clark School for schooling. As a youngster, I believed it was impressive and in my favor, therefore, to say I went to Dartmouth instead of Clark. And that error has apparently followed me and haunted me down right to this trial. And it was more habit than anything else that caused me to say that." (R. 195-196)

Marx also said that he attended the University of Pennsylvania, and his course of study was "toward a Bachelor of Arts Degree" and included the scientific subject "chemistry" (RA. 235). With respect to this testimony, Robert Bishop of the University of Pennsylvania said:

"Mr. Marx's program included courses in English literature and composition, French, mathematics, philosophy and history. He failed all of these courses. He was never registered for any work in chemistry or physics, nor indeed for any subjects other than those I have mentioned." (RA. 765-766)

Marx's only response was:

"This affiant's recollection is that he did take a course in chemistry at the University of Pennsylvania; but, said course in chemistry may have been abandoned by affiant following his hospitalization and before the completion of the course." (RA. 806-807)

In reviewing this evidence, the District Court found "a misrepresentation by defendant's only witness as to his scientific background was a matter of no material consequence either in the prosecution or the defense on the merits of the above entitled action" (Finding No. 11, R. 29).

During the first trial, Marx introduced defendant's exhibit J which was represented as truly representative of half-tone nuisances that confronted newspapers in the years 1936 and 1929 (RA. 133). In identifying these exhibits, Marx at the original trial testified "I dug through files of the Santa Barbara papers and others to find these examples" (R.A. 133). Marx confirmed that that exhibit "truly represents the half-tone nuisances that confronted newspaper printers of those years" (RA. 133). The District Court understood that the exhibit was offered "to afford a graphic illustration of the product achieved in the art at those times" (RA. 133). Counsel for defendant represented "They are typical of things we say inspired our man to what we say was his invention" (RA. 134). If this Court will examine exhibit J, it will perceive that the examples are most atrocious and might well give the impression that the Marx patent was a tremendous advance in the art.

At the retrial in speaking of exhibit J, Marx testified that he didn't know where the exhibit came from, but admitted that "it wasn't me" (R. 193-194). Marx also conceded that "those are not highlighted reproductions" on exhibit J (R. 192). At the retrial on July 24, 1956, Harvey T. Holsapple, a sales manager of plaintiff (R. 164), and a man associated with the photoengraving industry since 1924 (R. 164), testified categorically that exhibit J was not a typical example of the prior art which had been attained in the year 1936, that the exhibit did not truly represent the halftone nuisances that confronted newspaper printers in 1936 and that the art had advanced to the stage where it did produce satisfactory halftone highlighted negatives in 1936 (R. 167). Demonstrative evidence depicting the same thing is found in plaintiff's physical exhibits 59, 79, 80, 81 (R. 159-162).

Upon this record, the District Court found that "defendant did not materially misrepresent the state of the prior art" (Finding No. 12, R. 29).

At the close of the defendant's case, plaintiff moved for judgment of non-infringement in connection with the practice of the Kemart Process as represented by the Berry patent 2,395,985, on grounds that there was "a complete and absolute failure of any proof in connection with that process and method of the Kemart Process" (RA. 313-314). Counsel for defendant responded, "There is not a thing in this record, and properly so, about that Berry patent. I did not even mention it in my case" (RA. 315). This, notwithstanding that the published charges of infringement covered the Kemart process as a whole without differentiation between that of the '985 and '986 patents (defendant's exhibit RR, R. 287; plaintiff's exhibit 34, R. 263; and plaintiff's exhibit 74, R. 282).

Thereafter and following the entry of a decree in favor of defendant on January 31, 1951 (RA. 53-56), the parties had a dispute as to the amount of a supersedeas bond to be provided in order to lift an injunction entered pursuant to the judgment (RC. 43-58). In urging a large bond, Marx proclaimed that defendant had demanded of plaintiff in settlement negotiations "not less than \$50,000.00" and that it had "insisted and would insist upon the granting by plaintiff to the defendant corporation of a number of extremely valuable rights and privileges" (RC. 53). Marx further said that "if plaintiff can only be saved from bankruptcy at the loss and expense of the defendant corporation and by permitting plaintiff to continue to infringe the aforementioned Marx patent, plaintiff were best straightway and without further ado precluded from any further infringement of the aforementioned Marx patent and forthwith forced into bankruptcy * * *" (RC. 55).

Upon reviewing this evidence, the District Court found that "defendant did not determine the amount of the supersedeas bond or the form" such determination having been made by the Court (Finding No. 13, R. 29).

Finally, during the pendency of the appeal, defendant even opposed a modification of the injunction which would have permitted

a change to clearly non-infringing procedures. On June 5, 1952, plaintiff moved to modify the injunction to permit plaintiff to substitute either of two blue light camera lamps for the Kemart purple camera lamps as a source of light during the dot eliminating exposure (RB. 3-7). On July 10, 1952 Marx executed an affidavit in opposition to the modification of the injunction and based largely on scientific tests and opinions (RB. 18-38). On September 29, 1952, the District Court denied plaintiff's motion (RB. 39). Upon this record, the District Court concluded that "Defendant did not determine * * * the form of the injunction restraining plaintiff following the trial" holding that this determination was "made by the Court" (Finding 13, R. 29).

With this review of the questions on appeal, the procedure below, and the evidence, we now point to the errors which appellant contends the District Court made.

SPECIFICATION OF ERRORS

1. The District Court erred in determining that the law of Ohio accords a patentee the qualified privilege to publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, if the patentee reasonably and in good faith believes the charge of infringement to be true and was not prompted by malice but acted solely in defense of his patent; that such a publication is qualifiedly privileged, and that defendant's good faith and absence of malice constitutes a complete defense to plaintiff's claim of unfair competition or trade libel (Conclusion 6, R. 30-31).

2. The District Court erred in failing to find that the Ohio case law, the Ohio statutes, the Ohio Constitution, and the Treaty of Paris all make actionable the publication of false charges in the conduct of trade which are of a nature to discredit the establishment, the goods or the services of a competitor without regard to proof of actual malice.

3. The District Court erred in determining that the defendant published the charges in good faith and without malice, that it reasonably believed that the patent in suit was infringed by the process of plaintiff, and that this belief was based upon the opinion of patent counsel and not upon careless ascertainment of plaintiff's rights (Findings No. 1, 2, 6 and 8, R. 27-29).

4. The District Court erred in determining that plaintiff "published the charge of infringement in Ohio" and that defendant's publications were published "in response to plaintiff's publication in Ohio" and in "response to plaintiff's prior publication in a trade magazine" (Findings No. 4, 5 and 7, R. 28).

5. The District Court erred in determining that the defendant's misrepresentations at the original trial were not material (Findings No. 11 and 12, R. 29).

6. The District Court erred in finding that the instant case was not one warranting an allowance of attorneys fees (Findings No. 14 and 15, R. 29-30).

7. The District Court erred in adjudging that plaintiff shall take nothing by its claim for damages and that said claim for damages be dismissed and in failing to award plaintiff its actual damages, namely, its business losses resulting from the publication, and the expenses involved in clearing up of the infringement charges (R. 32).

8. The District Court erred in adjudging that plaintiff shall not receive any attorneys' fees and in failing to award attorneys fees to plaintiff under the patent statutes and under the Ohio law (R. 32).

ARGUMENT

Preface.

Upon the foregoing record, the trial court concluded that the Ohio law was applicable under California conflict of laws rules (Conclusions of Law 2 and 3, R. 30). This conclusion is soundly

supported by *American Well Works v. Layne* (1916), 241 U.S. 257 where the Court, in an opinion by Mr. Justice Holmes said, page 260:

“* * * But whether it (the publication of statements to various persons that the plaintiff was infringing the defendant's patent and that the defendant would sue both seller and buyer if the plaintiff's pump was used) is a wrong or not depends upon the law of the State where the act is done, not upon the patent law, and therefore the suit arises under the law of the State.”

In reviewing the Ohio law, the District Court concluded that Ohio law provides that publication of a false charge of patent infringement is a tort in the nature of a trade libel or unfair competition, since such charge is likely to prevent others from engaging in business dealings with the alleged infringer, and that the injured party may recover its actual damages (Finding No. 6, R. 30), “namely, his business losses resulting from the publication and the expenses involved in clearing up the infringement charge” (Memorandum, Par. (6), R. 21). The District Court recognized that such charges are “actionable per se” (Memorandum Par. (5), R. 21). These conclusions of the District Court are soundly supported by *Watson v. Trask* (1834), 6 Ohio 532; *Union Central Life Ins. Co. v. Mutual Benefit Life Ins. Co.* (1877), 5 Ohio Dec. Reprint 521, 523; *Finney v. Smith* (1877), 31 Ohio State 529, 532; *Kahn v. Cincinnati Times Star* (1890), 10 Ohio Dec. 599, 620, affirmed without report 52 Ohio State 662; *Cincinnati St. Ry. Co. v. Cincinnati Daily Tribune Co.* (1900), 10 Ohio Dec. 281, 282; and *Henry Gebring Co. v. McCue* (1926), 23 Ohio App. 281, 154 N.E. 171.

Nonetheless, the District Court found in the law of Ohio the qualified privilege of a patentee to publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, if the patentee reasonably and in good faith believes the infringement charge to be true and was not

prompted by malice but acted solely in defense of his patent (Memorandum, Par. (7), R. 21; Conclusion 6, R. 30-31).

The District Court entered findings of fact, to be discussed later in the argument, directed toward the issues of good faith and absence of malice and found in defendant's favor upon these issues (R. 27-29).

The District Court also found that the Court in exceptional patent cases may award reasonable attorney's fees to the prevailing party; concluded that this was not an exceptional case, and decreed that attorney's fees should not be awarded herein (R. 29-31).

Outline of Argument.

Appellant shows that under the law of Ohio, good faith and advice of counsel are not defenses to a claim for damages resulting from the publication of false charges of patent infringement. The defense is not supported by the authorities upon which the District Court relied. The defense was overruled in *McCue v. Wells* (1929), 121 Ohio State 53, 166 N.E. 892; and in *International Indus. & Develop. v. Farbach Chem. Co.* (6th Cir. 1957), 241 F.2d 246. The defense further is contrary to a continuous line of Ohio cases dating back to *Watson v. Trask* (1834), 6 Ohio 532, and it is in conflict with the Ohio statutes, the Ohio Constitution and the Treaty of Paris. Authorities upon which the defense has been based in other jurisdictions should not be engrafted upon the Ohio law because they have their historical foundation upon early English authority overruled by the English legislature and are contrary to better reasoned authorities from other jurisdictions.

Even if good faith and advice of counsel were a defense to such a defamation, defendant has not proved the elements of the defense. Under the rule of Ohio, the defense of advice of counsel, where otherwise applicable, requires advice of disinterested counsel, proof of full factual disclosure, proof of diligence in ascertaining the true facts and proof of reliance upon the advice. All of

these elements are lacking in the case at bar. Neither can the defense be premised upon plaintiff's publications directed to the controversy between the parties. Under the law of Ohio, and analogous authorities from other jurisdictions, plaintiff's publications are no justification for the defendant's publications.

With regard to the issue of attorneys' fees, the record shows that this is an exceptional case warranting an award of attorneys' fees under U. S. Code, Title 35, Section 285; that the failure to award attorneys' fees under the statute is contrary to sound federal authorities and is therefore an abuse of discretion; and that, independently of statute, plaintiff is entitled, as a part of its damages under the Ohio law, to its attorneys' fees for clearing up the defamatory charges of patent infringement.

The District Court Erred as a Matter of Law on Issue of Malice and Good Faith.

Appellant submits that the District Court erred, as a matter of law, in concluding that "* * * the law of Ohio accords a patentee the qualified privilege to publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, if the patentee reasonably and in good faith believes the charge to be true and was not prompted by malice, but acted solely in defense of his patent" (Memorandum Par. (7), R. 22; Cf. Conclusion No. 6, R. 30-31).

The District Court relied upon one Ohio case, *Henry Gebring Co. v. McCue*, 23 Ohio App. 281, 154 N.E. 171, 172 (1926); upon three 6th Circuit decisions; and upon authority from other jurisdictions remote from both Ohio and the Sixth Circuit (R. 22-23). Plaintiff submits that the cited decisions do not establish as the law of Ohio the qualified privilege found by the District Court.

The *McCue* case was before the Ohio reviewing courts on two separate occasions: *Henry Gebring Co. v. McCue* (1926), 23 Ohio App. 281, 154 N.E. 171, 172, and *McCue v. Wells* (1929), 121 Ohio St. 53, 166 N.E. 892. The first appeal was plaintiff's appeal

from a judgment sustaining a demurrer to a petition in equity. The second appeal was defendant's appeal from a judgment in plaintiff's favor upon a jury verdict. The petition, the subsequent pleadings and portions of the brief on behalf of defendant, setting forth his contentions on appeal are included in the instant record (R. 296-315).

The District Court cited the decision on the first *McCue* appeal for the proposition that the patentee has a qualified privilege to publish a false charge of patent infringement if this is not done with malice and if he believes in good faith the charge to be true (R. 22). It is submitted that the first *McCue* appeal does not stand for this proposition.

Two questions only are involved in the first appeal reported in *Henry Gebring Co. v. McCue* (1926), 23 Ohio App. 281, 154 N.E. 171. They are: (1) Did the trial court have jurisdiction over the subject matter of the action? and (2) Did the petition state a cause of action?

The Ohio Court of Appeals easily disposed of the first question. It held that the trial court had jurisdiction in the matter because the questions of patent infringement raised by the pleadings were only collateral to the damage issues presented in the case. In this regard, the Ohio opinion is on all fours with *American Well Works v. Layne* (1916), 241 U.S. 257, 60 L.ed. 987.

The Ohio Court of Appeals also held that the complaint in *McCue* stated a cause of action. Plaintiff's petition in *McCue* complained of two types of actionable wrongs (R. 296-298):

1. "Now the plaintiff says that heretofore, and particularly during the month of September, 1924, but also before and after said date, the defendant wrote and sent through the United States Mails to various of the customers of the plaintiff communications reading as follows: [Then follows the text of a letter by the defendant alleging patent infringement, which showed on the face of the complaint that defendant had been 'advised by Patent Lawyers of New York and two firms in Cleveland']"

2. "Now the plaintiff says that the defendant, for the purpose of harassing and annoying the plaintiff and embarrassing it in and about the sales of its goods, wares and merchandise, filed a suit in the United States District Court for the Northern District of Ohio, Eastern Division, against this plaintiff, same being Case No. 1279 upon the equity docket of said court, and falsely alleging a patent infringement * * *"

3. "thereupon and thereafter the said defendant proceeded to circularize the customers of the plaintiff with highly improper and damaging communications of the kind, character and nature set forth herein, and communicated by telephone, by word of mouth and otherwise with the customers of the plaintiff, threatening them with litigation and falsely accusing the plaintiff of infringing the letters patent of defendant * * *"

4. "through and by such methods of unfair competition the defendant caused a large portion of the trade of the plaintiff to be interrupted, halted and stopped, and prevented customers and prospective customers of the plaintiff from making purchases, and caused an injury and damage to the plaintiff in the sum of Twenty-five Thousand Dollars (\$25,000.00)".

The complaint thus emphasizes the limited holding of the Ohio Court of Appeals: "There are numerous cases of successful recoveries because of malicious acts by way of litigation in the courts, where it appears that the litigation was not founded upon good faith, but was instituted with the intent and purpose of harassing and injuring a rival producing and selling the same commodity." This language by necessary context was intended merely to show an analogy between the allegations pleaded in item 2 above and a claim for malicious prosecution. It does not imply that malicious acts are essential.

The other portion of the court's opinion wherein it is stated that: "Allegations are made that the conduct of the defendant

had no warrant of proof, but was based upon false statements respecting the patent" is the only portion which refers to defamation, i.e., items 1 and 3 above. It does not imply that the statements respecting the patent must be both false and malicious.

The record and the Ohio Court of Appeals' opinion in the first *McCue* appeal therefore disclose that: (1) plaintiff's petition in that case did not allege malice or the absence of good faith in making the false infringement publication; (2) plaintiff's petition showed on its face that defendant acted upon advice of counsel; and (3) the court held that the petition stated facts sufficient to constitute a cause of action. The Ohio court thus held by necessary implication that malice and absence of good faith are not part of the plaintiff's cause of action and that advice of counsel is not a defense to the action. If the law were otherwise then the demurrer should have been sustained as in *Bueher v. Life Ins. Co.* (1931), 123 Ohio St. 264; 175 N.E. 25, official syllabus.

After the remittitur came down upon the first appeal, the case was tried on the merits. Judgment upon a jury verdict was entered for plaintiff. Defendant prosecuted a writ of error in the Ohio Court of Appeals. That court affirmed the judgment of the trial court. Defendant then prosecuted a writ of error to the Ohio Supreme Court (*McCue v. Wells* (1929), 121 Ohio St. 53, 166 N.E. 892).

The supplemental answer before the Supreme Court in *McCue*, with reference to the defense of truth and good faith stated (R. 300):

"* * * Defendant further says that the statements contained in said letter and letters, are true and that said letters were written and sent in good faith and upon advice of competent counsel skilled in such matters."

Defendant in its brief to the Ohio Supreme Court contended that for plaintiff to prevail it was necessary for plaintiff to show the falsity of the words published (R. 301, 310); that it was

necessary to show malice (R. 301, 310-311) and that it was necessary to show special damages (R. 301, 311). After legal argument, the defendant showed the Court (R. 313):

"* * * There was not a scintilla of evidence showing, or tending to show any malice on the part of the defendant and there was no evidence introduced showing special damages. As these elements were an essential part of the plaintiff's case, the burden being upon the plaintiff to introduce evidence on these points, the court should have sustained the Motion of the defendant to direct a verdict at the close of plaintiff's case."

Thus, in *McCue*, the Supreme Court on the second appeal had before it for consideration both the defense of truth and the defense of good faith belief. The Supreme Court cast the defense of good faith aside completely and ignored it in its decision. The Supreme Court thus emphasized that truth and truth alone is a defense to a publication of a charge of infringement in Ohio. In its decision the court stated:

"* * * McCue's answer did deny the allegation of the Gehring Company's petition that the charge of infringement embodied in the letters of September, 1924 was false * * * his answer * * * denied that the charge of infringement made by him while the Gehring Company was still manufacturing under the 'Polar Spray' patent was false. *He was entitled to go to the jury upon that issue.*" (Emphasis ours.)

And in its judgment, the Supreme Court specifically reversed the judgment of the Court of Appeals "for the reasons stated in the opinion filed herein" (R. 314).

Thus, the sole basis for reversal was the holding that defendant was entitled to go to the jury upon the issue of whether the charge of patent infringement was false. As indicated, the argument concerning the requirement of malice and good faith was made to the Ohio Supreme Court. In reversing the improper instruction, the Ohio Supreme Court did not adopt defendant's

further contention that it was entitled to have the cases decided upon the less vigorous rule of good faith and the absence of malice. The opinion thus squarely holds that good faith is not available as a defense in an action of this type.

The Ohio law confirms our contention that *McCue* directly overrules *sub silentio* the defense that defendant published the letters and sent them in good faith and upon advice of competent counsel skilled in such matters.

Bayes v. Midland Casualty Co. (1915), 92 Ohio St. 303, 110 N.E. 751, 752, states:

"* * * It is to be presumed that all the assignments of the petition in error in the present case were passed upon and all assignments were held to be not well taken, except the one expressly stated in the entry as the basis of the judgment of reversal. *Weaver v. Columbia, Shawnee & Hocking Ry. Co.*, 76 Ohio St. 164, 81 N.E. 180."

Gamble v. Akron, B. & C. R. Co. (1900), 63 Ohio St. 352, 59 N.E. 99, 100; *Rheinstron v. Steiner* (1904), 69 Ohio State 452, 69 N.E. 745; and *Bechtol v. Ewing* (1913), 89 Ohio State 53, 105 N.E. 72, are in accord.

The same rule of interpretation is applied in *Bingham v. United States* (1935), 296 U.S. 211, 218-219, abstracted in official head-note 4 as follows:

"Matters pertinent to an issue before the Court and which were clearly presented to it, are to be taken as covered by the decision though not mentioned in the opinion."

It is thus implicit that the second *McCue* case, which is the latest expression of the Ohio courts upon the subject, stands for the proposition that "good faith" and "advice of counsel" are not defenses in Ohio and that the only defense to a published patent libel charge is that of truth.

Appellant submits and urges that *Henry Gebring Co. v. McCue* (1926), 23 Ohio App. 281, 154 N.E. 171 and *McCue v. Wells*

(1929), 121 Ohio St. 53, 166 N.E. 892, when considered in the light of the pleadings on review, the specification of errors and the contentions of the parties establish the law of Ohio to be as follows:

1. Where a plaintiff seeks damages arising from the publication of a false charge of infringement, existence of malice and absence of good faith are not essential elements of plaintiff's case.
2. Proof of the truth of the matter charged as defamatory is a complete defense.
3. The fact that the letters which charged infringement were written and sent in good faith and upon advice of competent counsel skilled in such matters is not a defense to plaintiff's claim for damages.

Appellant respectfully submits, therefore, that the District Court erred in concluding that the *McCue* case holds the presence of the qualified privilege as so found by the District Court.

The next case upon which the District Court relies, *Oil Conservation Engineering Co. v. Brooks Engineering Co.* (6th Cir. 1931), 52 F.2d 783, likewise does not support the stated conclusion. That case did not involve any kind of a defamation, for even though the two patents in suit were later found to be invalid, the court did point out that, "they were both infringed by plaintiff" (page 786). Hence, there was no false statement as to the fact of infringement as there has been found in the case at bar. Moreover, *Oil Conservation* does not involve the right of a plaintiff to damages, but it discusses merely the right of a person to obtain an injunction against the publication of charges of patent infringement. At page 785-786 the Court said:

"A court of equity has no jurisdiction to enjoin a mere slander or libel. * * * It is only when such slanders are both in bad faith—that is malicious—and are working destruction of property or property rights, that equity will interfere; otherwise, the remedy is at law."

Thus, in *Oil Conservation* there is specific recognition that where the slanders are neither in bad faith nor malicious that there is a remedy at law, even though there is not one for injunctive relief.

The third case upon which the District Court relies is *Alliance Securities Co. v. De Vilbiss Mfg. Co.* (6th Cir. 1930), 41 F.2d 668 (cited R. 22). *Alliance Securities* does not involve a false charge of any kind but involves only threats. One publication was made in San Francisco, Detroit and elsewhere in the country. As to this, "it is not shown that they told a reporter anything untrue or beyond a patentee's permissible optimism" (p. 671). The other publication was in Chicago and it, without mentioning defendant by name said, "Any and all pressure paint containers * * * which have one or two regulating valves and two lines of hose to air guns are an infringement, etc." (p. 671). There is nothing in the decision to indicate that the patentee ever defamed defendant in any way, nor is there anything to indicate that any charge was ever published in Ohio. The case is inapposite therefore in reaching any conclusion as to the law of libel and slander or as to the Ohio law on the publication of a false imputation of patent infringement.

The limitation which we have found in *Oil Conservation* and *Alliance Securities* has been given judicial recognition in *American Ball Co. v. Federal Cartridge Corp.* (8th Cir. 1934), 70 F.2d 579*. In that case the court, after discussing both *Alliance Securities* and *Oil Conservation*, said, page 582:

"* * * So long as the patentee acts fairly and honestly in notifying such purchasers of the actual situation as he honestly conceives it to be, a court of equity should not intervene until the verity of his position has been judicially passed upon. *It may well be that if the patentee should fail to estab-*

*This Court approved *American Ball in Celite Corporation v. Dicalite Co.* (9th Cir. 1938), 96 F.2d 242, at p. 250; and in *Metro-Goldwyn-Mayer Corporation v. Fear* (9th Cir. 1939), 104 F.2d 892.

lish his rights as claimed by him that he might be subject to an action for damages (because of such false, though honestly believed, statements) on the part of the one mistakenly prosecuted for infringement and might, after his accusation of infringement has been judicially determined to be unfounded, be enjoined from further notices, yet so long as he honestly believes his undetermined rights are being invaded there is no reason why he should not be free from judicial prevention in a fair statement of his honestly held position and of any relation thereto of the recipient of such statement in a bona fide effort to protect his position.” (Emphasis added.)

The fourth case upon which the District Court relies is *International Indus. & Develop. v. Farbach Chem. Co.* (S.D. Ohio 1956), 145 F.Supp. 34; affirmed (6 Cir. 1957) 241 F.2d 246 (R. 22, 68). In that case, the District Court and the Court of Appeals both found for the putative infringer. In that case, as in the case at bar, the patentee did not make any factual investigation of the putative infringer's product, but relied upon an opinion of counsel. The letter of the attorney falsely charged patent infringement. The decision by necessary implication, eliminates the defense of privilege in the publication of a false charge of infringement. In that case, plaintiff mailed to the trade 8,000 copies of a letter of its patent attorney inferentially charging the defendant's product with infringement, whereas the defendant's product did not, in fact, infringe plaintiff's patent. The trial court awarded defendant judgment for \$100,000 damages and for \$15,000 attorneys' fees.

The Court of Appeals, in a two to one decision, affirmed the decision of the District Court and held that implied malice in law was sufficient to support a judgment for plaintiff.

Circuit Judge Stewart, dissenting from the majority opinion, was of the view that the record had to contain "evidence" to support the conclusion that the letter was sent maliciously or in bad faith, citing:

Kaplan v. Helenhart Novelty Corp., 182 F.2d 311, 313-314 (2 Cir. 1950);

Alliance Securities Co. v. De Vilbiss Mfg. Co., 41 F.2d 668, 670 (6 Cir. 1930); and
Coats Loaders & Stackers, Inc. v. Henderson, 233 F.2d 915, 926 (6 Cir. 1956).

The *Coats* case, upon which Circuit Judge Stewart relied in part, relied in turn upon *Oil Conservation Engineering Co. v. Brooks Engineering Co.* (6th Cir. 1931), 52 F.2d 783, 785 (233 F.2d 926), upon which the District Court relied in part in the case at bar. Thus, there was squarely presented to the Court of Appeals for the Sixth Circuit the question as to whether the same Sixth Circuit authorities as those upon which the District Court relied in this case are applicable to a claim for damages arising from the publication of a false charge of patent infringement.

The majority of the court, notwithstanding that these authorities had been pointed out to it, did not dispute the view of dissenting Judge Stewart that he was "unable to find in the record sufficient evidence to support the conclusion that the letter was sent maliciously or in bad faith" in the light of the cited cases, but ruled that "implied malice in law" was sufficient. The opinion of the Court specifically stated:

"* * * Moreover, the record supports the conclusion of the trial court that the issuance of the notice of infringement was done in implied malice in law,* if not in actual malice, and in bad faith constituting unfair competition."

The patentee filed a petition for rehearing (R. 62-67) and again pressed the point that "a mere notice of infringement is not actionable unless it is sent out maliciously or in bad faith" (R. 64). This petition for rehearing was denied on April 18, 1957 (R. 67).

*This is the rule of *Watson v. Trask* (1834), 6 Ohio 532, 533: "Where the words are false, the law infers malice;" and *Racine Paper Goods Co. v. Dittgen* (7th Cir. 1909), 171 Fed. 631, 635; "If there was no infringement, the maliciousness would be undoubted."

Plaintiff submits therefore that the conclusion permitting recovery where there is implied malice in law, even if there is not actual malice and bad faith constituting unfair competition, clearly establishes beyond reasonable doubt either (1) the fact that the earlier Sixth Circuit decisions were not intended to announce the principle that the "publication" of a "false" charge of infringement was privileged, or (2) the fact that the holdings of the prior decisions are limited to the extent that they might otherwise be thought so to hold.

In the *first* place, plaintiff submits that any statement contained in *Oil Conservation Engineering Co. v. Brooks Engineering Co.* (6th Cir. 1931), 52 F.2d 783, 785-787; *Alliance Securities Co. v. De Vilbiss Mfg. Co.*, (6 Cir., 1930), 41 F.2d 668, 670-671; and *International Industries & Develop., Inc. v. Farbach Chemical Co.*, (S.D. Ohio, 1956) 145 F.Supp. 34 (and forming a basis for the conclusions of the District Court that implied malice in law is insufficient as a basis for recovery in the absence of actual malice) must be deemed to have been overruled by this recent Sixth Circuit decision.

"* * * Even if it were true that the decision referred to was not in harmony with some of the previous decisions, we had supposed that a later decision in conflict with prior ones had the effect to overrule them, whether mentioned and commented on or not." *Asher v. Texas* (1888), 128 U.S. 129, 131-132, 32 L.Ed. 368, 369.

"It is an established rule of law that a later decision overrules prior decisions which conflict with it, whether such prior decisions are mentioned and commented upon or not." *People v. Bateman* (1943), 57 Cal. App. 2d 585, 587; 135 P.2d 192, 194.

In the *second* place, the conclusion of the Court of Appeals in permitting recovery upon "implied malice in law" is a direct holding that the publication of a false notice of infringement, even where the notice is the opinion of patent counsel, is not qualifiedly

privileged. This is true because the concepts of "implied malice in law" and "qualified privilege" are mutually exclusive. If the publication is privileged, then express or actual malice and bad faith are necessary because a right of action may not be maintained where only malice in law is present.

The rule is announced in *Heimlich v. Dispatch Prtg. Co.* (1916), 18 Ohio N.P. (N.S.) 505. In that case, the court held that the statutes "were passed to destroy or take away the right of action where only presumptive malice appeared or malice in law was present". The court also held, page 518, that where the publication is privileged, a party "cannot recover * * * unless the evidence offered shows express malice * * *."

Since the instant publication is not even declared privileged by statute, a grant of relief in the *International* case is *a fortiori* a declaration that the publication of a false charge of infringement is not a privileged communication.

Appellant submits, therefore, that the *Farbach* decision makes clear that if the publication of a false charge of patent infringement was ever deemed privileged by the Federal Courts in the Sixth Circuit, that the rule of decision is now overruled, or otherwise vacated.

The remaining authorities which the District Court cited as being in accord (R. 22-23) are distinguishable in that none even purports to announce the law of Ohio. Moreover, at least three of them, i.e., *Metro-Goldwyn-Mayer Corp. v. Fear* (9th Cir. 1939) 104 F.2d 892, *American Ball Co. v. Federal Cartridge Corp.* (8th Cir. 1934) 70 F.2d 579; and *Emack v. Kane* (N.D. Ill. 1888) 34 Fed. 46, would support a judgment for plaintiff in this case and not one for defendant.

In summation on this section of the brief, it is submitted that the authorities upon which the District Court relied, do not establish that the Ohio law makes "absence of malice" and "good faith" a complete defense to an action for damages arising by virtue of the publication of false charges of patent infringement.

The Ohio Case Law Negates the Defense of Good Faith.

The starting point of our investigation is a case of first impression in the entire United States upon the question at bar. *Watson v. Trask* (1834), 6 Ohio 532 holds in effect that anything which tends to prejudice a person in his trade or business constitutes actionable defamation and that the person injured may recover without proof of malice or special damage.

At page 533, the court set forth the following rule:

"* * * Where the words are false, the law infers malice, and where their natural tendency is to injure, the law presumes damages."

The court brought a charge of patent infringement within the foregoing definition by stating, page 533:

"* * * The publication is declared to be of the plaintiff in his business of maker and vendor of bark mills. It imputes to him the infraction of another's patent. This, if true, would subject him, and those purchasing and using his mills, to prosecution. Nothing could have a more direct tendency to the entire destruction of his business."

The official syllabus* of *Watson v. Trask* states:

"It is a libel to charge a man with infracting a regularly granted patent for bark mills."

Counsel notes particularly that "issue was joined on a plea of not guilty, with a notice in justification that the publication is true" (6 Ohio 532). There is implicit, in such a notice in justification, good faith and belief that the publication is true for otherwise the pleading could not have been made. The court, in sustaining the verdict of the jury, completely ignored the present "good faith" defense.

*Under the Ohio rule, the official syllabus is considered to be binding law. See *Wooster Rubber Co. v. Commissioner of Internal Revenue* (6th Cir. 1951), 189 F.2d 878, 885; and *Westropp v. E. W. Scripps Co.* (1947), 148 Ohio State 365, 74 N.E. 2d 340, 345.

The rule of *Watson v. Trask*, both with and without reference to *Watson* and both with and without reference to patent defamation is applied with consistent regularity. In *Union Central Life Ins. Co. v. Mutual Benefit Life Ins. Co. et al.* (1877) 6 Am. Law. Rec. 382, 5 Ohio Dec. Rep. 521, 2 Week. L. Bull. 269, the court held:

"* * * If it (the publication) refers to the business and trade of the party, and the necessary and proximate result is to subject him in his business, name or reputation, to pecuniary loss, such publication is in law *prima facie* libelous." (5 Ohio Dec. Rep. 532).

In *Mason v. Stacey & Carrol* (1879), 7 Ohio Dec. Rep. 567, 3 Week. L. Bull. 1100 plaintiff claimed that a false charge of patent infringement was a slander of title. The court denied relief only because the action was abated by the bankruptcy of one of the defendants. There is no reference in the opinion that belief in good faith is a defense.

Joseph v. Cristy (1882), 8 Ohio Dec. Rep. 476, 8 Week. L. Bull. 190 involves a false charge of patent infringement. A libel action was dismissed but only because the plaintiff was not named as the party defamed. The case does not intimate that good faith is a defense.

In *Dopp v. Doll* (1885), 9 Ohio Dec. Rep. 428, 13 Week. L. Bull. 335 the court treated a false charge of patent infringement as a libel and held that it had no equitable jurisdiction to enjoin the defamation. There is no ambiguity in the observation of the court in stating 9 Ohio Dec. Rep., page 430:

"* * * There is an adequate remedy at law in a suit for damages for the alleged slander or libel."

Kahn v. Cincinnati Times-Star (1890), 10 Ohio Dec. 599, affm'd (1895) 52 Ohio St. 662, 44 N.E. 1132 announces the rules:

"* * * it is a presumption of law that anything stated in such publication which is derogatory to the business reputation

and trade of the plaintiff as alleged is false, and that the defendant in publishing the same intended to cause whatever injury naturally would and did result from such publication. (10 Ohio Dec. 604)

* * * unless the article published in its entirety was true in fact, the law implies malice if it should be found that the article in question is libelous * * *." (10 Ohio Dec. 607)

Cincinnati St. Ry. Co. v. Cincinnati Daily Tribune Co. (Com. Pleas, 1900), 10 O.D. 281, 282, quoted *Watson* as follows:

"The allegations of the petition are that the plaintiff has been damaged in its credit, reputation and conduct of its business. If the words are false, the law would imply malice and would presume such damages as ensued as a necessary consequence. *Watson v. Trask, supra.*"

Peer v. Hoiles (1925), 3 Ohio L. Abs. 653, 654:

"Where the words are false, the law infers malice; and where their natural tendency is to injure, the law presumes damages. 6 Ohio 532."

The cases of *Henry Gehring v. McCue* (1926), 23 Ohio App. 281, 154 N.E. 171 and *McCue v. Wells* (1929), 121 Ohio State 53, 166 N.E. 892, discussed above in this brief pages 25 to 31 directly negate the good faith defense in the case of false charges of patent infringement.

As recently as *Mulcahy v. Deitrick* (1931) 39 Ohio App. 65, 176 N.E. 481, 482, the Court said:

"Inasmuch as the words alleged to have been spoken are clearly actionable per se, it follows as a matter of law that malice is presumed. 17 Ruling Case Law, p. 322, § 65. Plaintiff, therefore, was not required to prove malice, and the trial court in so charging put upon him a burden unwarranted in law, which was prejudiced to him and hence constitutes reversible error."

And if there be any doubt still remaining as to the limited place of qualified privilege in Ohio, we need look only to *Westropp v. E. W. Scripps Co.* (1947), 148 Ohio St. 365, 74 N.E. 2d 340, to observe that the doctrine does not apply to situations involving libel *per se*. During the trial of the case, the trial court gave instructions to the jury quite similar in scope to the District Court's Determination (7) upon the privilege issue, although the claimed privilege involved a different type of defamation than the instant defamation. Upon appeal the Supreme Court reversed the trial court. During the trial plaintiff asked the trial court to grant an instruction:

"I charge you as a matter of law that the publication of the editorial and pictures which is the subject matter of the plaintiff's complaint and which is set forth in her petition, was defamatory and libelous *per se*." (p. 344)

The trial court refused this instruction and instead instructed the jury as follows:

"* * * if the publication of this editorial, which publication is admitted, was false, was actuated by malice, with intent to injure this plaintiff in her profession or calling and did injure her, and if she has proven these necessary elements to you by a preponderance of the evidence, then she is entitled to a verdict at your hands.

"If she has not proven to you these necessary elements you would not consider the case further but would return a verdict for the defendants."

Plaintiff lost and appealed. The Court found reversible error, stating that it was error (1) to refuse the requested instructions, and (2) to grant the instruction given.

In the course of its decision, the Court said (p. 346):

"It is well settled as so concisely stated in 1 Cooley on Torts 519, Sec. 150: 'Where the published words are actionable *per se* plaintiff, in order to make out a *prima facie* case, need not prove actual malice, since the law will imply malice of the character necessary to support a judgment.'"

The Ohio Statutes Negate the Defense of Good Faith.

The Ohio statutes clearly negate that any of the foregoing authorities should be construed as including in the law of libel and slander of that state the qualified privilege here applied. The Ohio Revised Code, Section 2901.37 states:

"No person shall write, print, or publish a false or malicious libel of, or concerning, another * * *."

The alternative use of words "false or malicious" in the foregoing statute is a clear statement that the prohibitions apply alternatively rather than cumulatively.

And in Ohio, the defenses in cases of libel and slander are set forth positively in the statutes of that state. The statutory provisions are as follows:

"§ 2739.02 Defenses in actions for libel or slander. (GC § 11342)

"In an action for libel or slander, the defendant may allege and prove the truth of the matter charged as defamatory. Proof of the truth thereof shall be a complete defense. In all such actions any mitigating circumstances may be proved to reduce damages."

"§ 2317.04 Impartial report of proceedings privileged. (GC § 11343-1)

"The publication of a fair and impartial report of the proceedings before state or municipal legislative bodies, or before state or municipal executive bodies, boards, or officers, or the whole or a fair synopsis of any bill, ordinance, report, resolution, bulletin, notice, petition, or other document presented, filed, or issued in any proceeding before such legislature or executive body, board, or officer, shall be privileged, unless it is proved that such publication was made maliciously."

"§ 2317.05 Impartial report of indictment, warrant, affidavit, or arrest privileged. (GC § 11343-1)

"The publication of a fair and impartial report of the return of any indictment, the issuing of any warrant, the

arrest of any person accused of crime, or the filing of any affidavit, pleading, or other document in any criminal or civil cause in any court of competent jurisdiction, or of a fair and impartial report of the contents thereof, is privileged, unless it is proved that the same was published maliciously, or that the defendant has refused or neglected to publish in the same manner in which the publication complained of appeared, a reasonable written explanation or contradiction thereof by the plaintiff, or that the publisher has refused, upon request of the plaintiff, to publish the subsequent determination of such suit or action. This section and section 2317.04 of the Revised Code do not authorize the publications of blasphemous or indecent matter."

The above sections show that proof of the truth of the matter charged as defamatory shall be a complete defense; that any mitigating circumstances may be proved to reduce damages; and that the provisions as to privilege do not explicitly or by implication render privileged either a false charge of patent infringement or any other kind of a trade libel.

The courts of Ohio do not extend the doctrine of privilege beyond the statute to contemplate any form of common law privilege. This is made clear from several authorities.

In *Westlake v. Westlake* (1878), 34 Ohio St. 621, the court discussed the "per se" doctrine of Ohio and in the course of its discussion approved the rule of *Watson v. Trask*.

The court said, page 631:

"In this respect, therefore, the law of this state has never been in accord with the common law."

In 1893, a litigant sought to persuade the court to adopt the common law rule of privilege with respect to newspaper reports of matters in litigation. In *Post Publishing Co. v. Moloney* (1893), 50 Ohio St. 71, 33 N.E. 921, the court said, page 89; 926:

"We do not think the doctrine either sound or wholesome."

In 1941 the Ohio Court of Appeals refused to extend the Ohio law of privilege beyond the statute to contemplate a form of common law privilege in *Meyer v. Parr* (1941), 69 Ohio App. 344, 37 N.E. 2d 637, saying, page 641:

“* * * If an absolute privilege is to be extended * * *, it should be extended by the General Assembly.”

In this same connection we note that Ohio Courts, in construing statutes, do not make implied exceptions. The Ohio Courts apply the Latin maxim “*Expressio unius est exclusio alterius*.” In Ohio, this maxim is the primary rule of statutory construction.

In *Weirick v. Lumber Co.* (1917), 96 O.S. 386, 397; 117 N.E. 362, the rule is stated:

“It is an old rule of construction that where a statute specifically and expressly mentions certain things, other things belonging to the same class, or occurring at the same time, are excluded. In short, when a statute makes certain things mandatory, the presumption is that the other things associated therewith are not mandatory.

“The old Latin maxim *expressio unius est exclusio alterius* has become a primary and well-settled rule of statutory construction.”

Since the Ohio statutes specifically provide for defenses in libel and slander cases and specifically cover privilege and since they do not make a false charge of patent infringement, or any other analogous publication, a privileged communication, appellant submits that by statute it is provided that plaintiff need not prove that the charges were malicious in order to recover damages.

The Ohio Constitution Precludes the Good Faith Defense.

The Constitution of Ohio has two provisions which preclude an interpretation of the Ohio case law and Ohio statutes which grants anyone the privilege to publish false charges of any kind, including false charges of patent infringement, merely because he or she in good faith believes them to be true.

Article I, Section 11, provides:

"Every citizen may freely speak, write and publish his sentiments on all subjects, *being responsible for the abuse of that right*; and no law shall be passed to restrain or abridge the liberty of speech, or of the press. * * *" (Emphasis added.)

Article I, Section 16, provides:

"* * * every person, for an injury done him in his land, goods, person or reputation, shall have remedy by due course of law."

The effect of these Constitutional provisions on the instant facts is two fold. First, that the putative infringer shall have "remedy by due course of law" for an injury done him in his "reputation" and second, that the patentee shall be "responsible for the abuse of that right" to freely speak, write and publish his sentiments on the question of patent infringement.

In *Byers v. Meridian Printing Co.* (1911), 84 Ohio St. 408, 95 N.E. 917, the court held that the Ohio Constitution is controlling on questions of defamation and that not even the legislature has the right to limit the Constitutional guaranties. At 95 N.E. 920, the court said:

"* * * the guaranties of the Constitution, which are the same for the protection of property and reputation, shall be regarded by the Legislature as well in passing laws relating to evidence and remedies as to substantive law."

Appellant notes particularly that the Ohio Constitution makes no provision for the qualified privilege applied by the District Court in the case at bar. To engraft such a privilege on the Ohio case law and statutes would, therefore, appear to be in conflict with the Ohio Constitution.

The Treaty of Paris Further Precludes the Good Faith Defense.

If the rule of Ohio law were that announced by the District Court it would contravene the Convention for the Protection of

Industrial Property of the Union of Paris (53 Stats. 1748), as made applicable to Ohio law by the Constitution of the United States, Article VI, Clause 2; U.S. Code, Title 15, Sections 1126 and 1127; and U.S. Code, Title 28, Section 1652.

The Constitution, Article VI, Clause 2, recites:

"This Constitution, and the Laws of the United States which shall be made in pursuance thereof; and all Treaties made, or which shall be made under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding."

U.S. Code, Title 28, Section 1652, recites:

"The laws of the several states, except where the Constitution or treaties of the United States or Acts of Congress otherwise require or provide, shall be regarded as rules of decision in civil actions in the courts of the United States, in cases where they apply."

Appellant submits that the Convention of Paris contains positive rules making false allegations of the character here in suit actionable without regard to the existence of malice and that the Convention is in accord with the Ohio law in regard to malice as appellant understands the Ohio law. Appellant further submits that the view of the District Court makes the Ohio law contravene the treaty.

The Paris Convention.

The Convention of Paris was amended and was readopted in its present form at the 1934 meeting of the International Conference at London (53 Stats. 1748).

Article 1 (53 Stats. 1772) states in part:

"(2) The scope of the protection of industrial property shall include * * * the repression of unfair competition."

Article 2 (53 Stats. 1772) states:

"(1) Nationals of each of the countries of the union shall, in all other countries of the Union, as regards the protection of industrial property, enjoy the advantages that their respective laws now grant, or may hereafter grant, to their own nationals, without any prejudice to the rights specially provided for by the present convention. * * *"

Article 10 Bis. (53 Stats. 1780) provides:

"1 The countries of the Union are bound to assure to nationals of countries of the Union an effective protection against unfair competition.

* * * * *

"3 The following particularly are to be forbidden:

* * * * *

"2° False allegations in the conduct of trade of a nature to discredit the establishment, the goods or the services of a competitor."

Article 10 Ter. (53 Stats. 1780) states:

"1 The countries of the Union undertake to assure to the nationals of other countries of the Union appropriate legal remedies to repress effectively all acts set forth in Articles 9, 10 and 10 Bis."

Article 15 (53 Stats. 1782) states:

"It is agreed that the countries of the Union respectively reserve to themselves the right to make separately as between themselves special arrangements for the protection of industrial property insofar as such arrangements do not contravene the provisions of the present convention."

The Convention Is a Part of Controlling Domestic Law.

Plaintiff submits that the Paris Convention is a part of our domestic law—at least to the extent of supplanting any latent or incipient rule of Ohio law which might otherwise be thought to be in conflict with the Treaty.

The Lanham Act of 1946 was enacted, among other purposes, "to carry out the provisions of certain international conventions" (Title of Act, 60 Stats. 427).

Section 44 of the Act of 1946 (U.S. Code, Title 15, Section 1126) provides:

"(b) Persons who are nationals of, domiciled in, or have a bona fide and effective business or commercial establishment in any foreign country, which is a party to (1) the International Convention for the Protection of Industrial Property, signed at Paris on March 20, 1883; * * * shall be entitled to the benefits and subject to the provisions of this chapter to the extent and under the conditions essential to give effect to any such conventions and treaties * * *."

* * * * *

"(h) Any person designated in subsection (b) of this section * * * shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

"(i) Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in subsection (b) of this section."

Section 45 (U.S. Code Title 15, Section 1127, omitting reference to trademarks and trade names) provides:

"The intent of this chapter is * * * to provide rights and remedies stipulated by treaties and conventions respecting * * * unfair competition entered into between the United States and foreign nations."

In the foregoing language, appellant reads that citizens or residents of the United States shall be entitled to effective protection against unfair competition as defined in the Paris Convention.

This specific Paris Convention is discussed in *Master, Wardens, Etc. v. Cribben & Sexton Co.* (C.C.P.A. 1953), 202 F.2d 779. At page 783, the Court said:

"* * * That treaty is part of our law and no special legislation in the United States was necessary to make it effective here. *Bacardi Corp. v. Domenech*, 311 U.S. 150, 61 Sup. Ct. 219, 85 L. Ed. 98. However, terms of the treaty applicable to the situation in the case at bar were embodied in the provisions and subdivisions of Section 44 of the Act of 1946. *In re Lyndale Farm*, 186 F.2d 723, 38 C.C.P.A., Patents, 825, 829."

A similar view is expressed in *Stauffer v. Exley* (9th Cir. 1950), 184 F.2d 962, 964; and in *Vanity Fair Mills v. T. Eaton Co.* (2d Cir. 1956), 234 F.2d 633, 640.

In applying the somewhat analogous Inter-American Convention for Trade Mark and Commercial Protection, the Court, in *Bacardi Corp. v. Domenech* (1940), 311 U.S. 150, said, page 161:

"This treaty on ratification became a part of our law. No special legislation in the United States was necessary to make it effective. *Head Money Cases*, 112 U.S. 580, 598, 599; *Asakura v. Seattle*, 265 U.S. 332, 341."

Edye v. Robertson (1844), 112 U.S. 580, 598-599, 29 L.ed. 798, 804 observes:

"* * * A treaty, then, is a law of the land as an act of Congress is, whenever its provisions prescribe a rule by which the rights of the private citizen or subject may be determined. And when such rights are of a nature to be enforced in a court of justice, that court resorts to the treaty for a rule of decision for the case before it as it would to a statute."

In *Hauenstein v. Lynham* (1879), 100 U.S. 483, the court said, p. 490:

"It must always be borne in mind that the Constitution, laws, and treaties of the United States are as much a part of the law of every State as its own local laws and constitution. This is a fundamental principle in our system of complex national polity." (citations omitted).

Geofroy v. Riggs (1890), 133 U.S. 258, 267; 33 L.ed. 642, 645, is in accord:

"* * * the treaty, being part of the supreme law of the land, controlled the statute and common law of Maryland whenever it differed from them."

The Defendant's Conduct Is Forbidden by the Convention.

Plaintiff submits that under the findings of the District Court, defendant's conduct is "particularly" forbidden by the Convention.

In defining acts which "particularly are to be forbidden," the Convention, Article 10 Bis, specifies "False allegations in the conduct of trade." This requirement is met by Findings 3 and 5 (R. 28), which recite: "Prior to the commencement of the above-entitled action, defendant showed to plaintiff, in Ohio, a letter (Exhibit RR) from defendant's patent counsel charging that plaintiff's process infringed defendant's patent * * *"; and "* * * defendant there [in Ohio] published the charge of infringement and also published the charge in the aforesaid trade magazine [a trade magazine of nationwide circulation]." Finding 3 also finds that said "charge was later determined to be false."

The definition continues that the allegations must be "of a nature to discredit." The District Court, in Conclusion of Law 5 (R. 30), found that "a false charge of patent infringement * * * is likely to prevent others from engaging in business dealings with the alleged infringer."*

*In this same respect it was said in *Watson v. Trask* (1834), 6 Ohio 532, 533, that "Nothing could have a more direct tendency to the entire destruction of his business"; in *American Well Works v. Layne* (1916), 241 U.S. 257, 259, that "What makes the defendant's act a wrong is its manifest tendency to injure the plaintiff's business * * *"; in *Emack v. Kane* (N.D. Ill. 1888), 34 F. 46, 51-52, that "No businessman wants to incur the dangers of a lawsuit for the profits which he may make as a jobber in handling goods charged to be an infringement of another man's patent. * * * A suit for infringement of a patent is so far outside of the common man's experience that he is terrorized by even a threat of such a

The definition concludes with the thought that the allegations must be related to "the establishment, the goods or the services of a competitor." The District Court in Finding 1-C (R. 27), determined: "At all times between June of 1947 and the present date, plaintiff and defendant have been competitors with one another in their respective businesses of granting licenses under their respective processes, i.e., the 'Kemart Process' of plaintiff and the 'Fluorographic Process' of defendant."

Plaintiff submits, therefore, that the quoted language finds its counterpart both literally and as a matter of substance in the findings of the District Court. Since the acts are "particularly" forbidden by the Convention, any construction of the Ohio law which would tolerate defendant's conduct would contravene the Convention and would be forbidden by the Constitution, Article VI, Clause 2.

Appellant's Rights Should Not Be Defeated by Implication.

Appellant submits that the matters of justification which the District Court found present in the case at bar are not applicable to defeat its treaty rights.

It is significant that the treaty specifies that the rights of the contracting nations to enter into other arrangements are to be "without any prejudice to the rights specially provided for by the present convention." (Art. 2(1), 53 Stats. 1772) and to be such as "do not contravene the provisions of the present convention" (Art. 15, 53 Stats. 1782). Any implied exception would certainly "prejudice the rights specially provided for" by Article 10 Bis and would "contravene" Article 10 Bis.

suit"; and in *Skinner & Co. v. Shew & Co.* (1892), 1 Ch. 413, 424 that "* * * Now, every person of common sense knows what is involved in patent actions and what the expense of them is, and everybody knows that to be threatened with a patent action is about as disagreeable a thing as can happen to a man in business, and is the thing most calculated to paralyze a man in his business, even if he be innocent of any infringement of patent law."

Moreover, the definitions of the Convention provide a sure and concise definition which is free from ambiguity. Both as a matter of treaty history and as a matter of law, there is no room to impose any exceptions upon the Convention by way of construction.

The History of the Treaty Negates Implied Exceptions.

Plaintiff submits that the history of the Convention confirms that the Convention countries did not intend to limit the operation of the Convention by the application of any considerations of "intent."

Authority to examine the history of a treaty is found in *Cook v. United States* (1933), 288 U.S. 102, 112, 77 L.ed. 641, 646, where the Court held:

"* * * In construing the Treaty its history should be consulted. Compare *United States v. Texas*, 162 U.S. 1; *Oklahoma v. Texas*, 260 U.S. 606; *Neilsen v. Johnson*, 279 U.S. 47, 52. Both its language and its history show that the high contracting parties did not intend so to limit its operation."

Article 10 had its roots at the Washington Conference on June 2, 1911 (38 Stats. 1645). Article 10 $\frac{1}{2}$ there adopted provided (38 Stats. 1663):

"All the contracting parties agree to assure to the members of the Union an effective protection against unfair competition."

Article 10 was expanded at the Conference at The Hague on November 6, 1925 (47 Stats. 1789). The official "Actes de la Conference reunie a La Hague" (Exhibit A accompanying the affidavit of Carl Hoppe) contains the discussions preceding the adoption of Article 10 Bis. The translation (R. 59-61) recites:

"2. DISPARAGEMENT

"The proposition of inserting in article 10 a disposition aimed at the repression of disparagement has been approved

by all the delegations. In effect, the act of formulation or spreading affirmations and allegations (that are) false and of a nature to carry damage to the reputation of a competitor or of his establishment or of his merchandise is everywhere considered as contrary to honest usage, and incompatible with the good order of trade. There have been however some difficulties in reaching an understanding on the definition and limitations of this kind of unfair competition.

"The Several Delegations, notably those of Great Britain and the United States, have made the observation that in their country defamation (libel) falls under the disposition of penal laws, and that there is no cause set forth on the subject of special dispositions aimed at the defamation of a competitor. It has been replied that the notion of disparagement is broader than that of defamation, notably that it does not imply an injurious intention. That which one wished to hit is the fact of discrediting a competitor by affirmations contrary to the truth. On the observation to the French delegations that it is possible to disparage a competitor by prejudicial criticisms and comparisons without these being strictly contrary to the truth, it was replied that in an International Convention the sure and precise criterion of the letter contrary to the truth seems indispensable. From another side one has observed that it did not seem either useful or necessary to set forth particular measures near to the fact of discrediting the person or the establishment however and that it would suffice to hit the fact of discrediting the merchandise.

"The Sub-Commission is united in this thought. It has resulted in the following text, adopted unanimously: 'False allegations in the exercise of trade of a nature to discredit the merchandise or product of a competitor!'"

Article 10 Bis was then redrafted slightly to substitute the word "goods" for the words "merchandise or products" and was adopted as follows (47 Stats. 1807):

"3. The following particularly are to be forbidden:

* * * * *

"2.° False allegations, in the course of trade of a nature to discredit the goods of a competitor."

Article 10 Bis was further expanded at the Conference of London in 1934 to encompass "the establishment * * * or the services" of a competitor as well as his goods (53 Stats. 1780).

From the official "Actes" it is clear that the contracting parties were in entire agreement that the treaty "does not imply an injurious intention" and that they intentionally adopted "the sure and precise criterion of the letter contrary to the truth." In this, the textbook writers agree.

Stephen P. Ladas, in the work entitled *International Protection of Industrial Property*, at page 705, said of Articles 10 Bis:

"The provision under consideration is much broader than mere trade slander or trade libel under the common law, or defamation under the continental law. It covers all cases of 'denigrement' of the goods of a competitor. In the common law countries the strict interpretation of the words 'slander' and 'libel', in their application to trade and business, did not afford such elastic legal material as the general provisions of the Civil codes of continental countries against acts inflicting injury upon another. In 'libel' or 'slander' there must be fraudulent intent and special damage.* As it was pointed out at the Conference of The Hague, the conception of 'denigrement' does not involve a fraudulent intent. The mere fact of discrediting the goods of a competitor by allegations which are untrue constitutes an act of unfair competition. * * *" (footnotes omitted).

And Callmann, in *Unfair Competition and Trade-Marks*, 2nd Edition, Volume 4, Section 99.2(b) states:

"* * * The concept of 'denigrement' does not require proof of *scienter*. The mere fact that the rivals' product was discredited by false allegations completes the act of unfair competition."

General Rules of Treaty Construction Also Negate Implied Exceptions.

Appellant submits that the construction which it urges is also supportable under either of two general rules of treaty construction.

The *first* rule is that a construction favorable to rights claimed under a treaty is the preferred construction. It finds expression in *Bacardi Corp. v. Domenech* (1940), 311 U.S. 150, 163; 85 L.ed. 98, 106:

“* * * According to the accepted canon, we should construe the treaty liberally to give effect to the purpose which animates it. Even where a provision of a treaty fairly admits of two constructions, one restricting, the other enlarging, rights which may be claimed under it, the more liberal interpretation is to be preferred. *Jordan v. Tashiro*, 278 U.S. 123, 127; *Nielsen v. Johnson*, supra; *Factor v. Laubenthal*, 290 U.S. 276, 293, 294.”

The same rule is stated otherwise in *Geofroy v. Riggs* (1890), 133 U.S. 258, 271-272; 33 L.ed. 642, 646:

“* * * And it has been held by this court that where a treaty admits of two constructions, one restrictive of rights that may be claimed under it and the other favorable to them, the latter is to be preferred.”

The *second* rule is that it is improper to impose any implied exceptions upon any treaty. This rule finds expression in a continuous line of authority.

In *The Amiable Isabella* (1821), 6 Wheat. (19 U.S.) 1, 70, 71; 5 L.ed. 191, 206, the Court said:

“* * * to alter, amend or add to any treaty, by inserting any clause, whether small or great, important or trivial, would be, on our part, an usurpation of power, and not an exercise of judicial functions. It would be to make, and not to construe a treaty. Neither can this court supply a *casus omissus* in a treaty, any more than in a law. We are to find out the intention of the parties, by just rules of interpretation, applied to

the subject matter; and having found that, our duty is to follow it, so far as it goes, and to stop where that stops—whatever may be the imperfections or difficulties which it leaves behind.”

Society for the Propagation of the Gospel v. New Haven (1823), 8 Wheat. (21 U.S.) 464, 490, 5 L.Ed. 662, 668, is to the same effect:

“* * * The terms in which this article is expressed are general and unqualified, and we are aware of no rule of interpretation applicable to treaties, or to private contracts, which would authorize the court to make exceptions by construction, where the parties to the contract have not thought proper to make them. Where the language of the parties is clear of all ambiguity, there is no room for construction.”

Doe et al. v. Braden (1853), 16 How. (57 U.S.) 635, 656, 657; L.ed. 1090, 1099, states:

“The treaty is therefore a law made by the proper authority, and the courts of justice have no right to annul or disregard any of its provisions, unless they violate the Constitution of the United States. It is their duty to interpret it and administer it according to its terms.”

The same rule is repeated in *Leavenworth, Etc., R.R. Co. v. U.S.* (1875), 92 U.S. 733; 23 L.ed. 634, as follows (p. 751):

“* * * treaties, like statutes, must rest on the words used,—‘nothing adding thereto, nothing diminishing.’ In *Rex v. Barrel*, 12 Ad. & Ell. 468, Patterson, J., said, ‘I see the necessity of not importing into statutes words which are not found there. Such a mode of interpretation only gives occasion to endless difficulty.’”

And, finally, in *Bacardi Corp. v. Domenech* (1940), 311 U.S. 150; 85 L.Ed. 98 states, (pp. 166, 108):

“The exigencies of local trade and manufacture which prompted the enactment of the statute [which contravened

the treaty] cannot save it, as the United States in exercising its treaty making power dominates local policy."

The Weight of Sound Authority Negates the Defense.

The rule which the District Court applied, admittedly, is one which some courts have applied from time to time to defeat the claim of a putative infringer for damages resulting to it from the publication of false charges of patent infringement. Appellant submits that regardless of the Ohio cases, the Ohio Constitution, the Ohio statutes and the Treaty of Paris, the rule is one which is basically unsound and is contrary to the best public interest. The rule has a foundation of sand and it should no longer be followed in this country. At least, it should not be engrafted upon the Ohio law.

The rule which the District Court applied was first announced in *Wren and another v. Weild* (1869), L.R. 4 Q.B. 730. This case is later than *Watson v. Trask* (1834) 6 Ohio 532 and reaches the opposite result. It is the first reported decision which appellant has found anywhere which supports the determination of the District Court. The *Wren* case appears to be the great grandfather of all of the authorities upon which the District Court relied. The facts in that case are set forth, page 733:

"On the trial before my brother Lush it was proved that the defendant has a subsisting patent. The specification described a very complicated machine, and claimed the whole as a new combination, and also separately claimed many subordinate parts of the machine as new.

"The plaintiffs' machine did not comprise in it anything precisely identical with any of those subordinate parts, but so closely resembled them as, at least, to give plausible grounds for contending that they were equivalent to them.

"The plaintiffs, it appeared, were negotiating for the sale of their machines to different manufacturers, some of whom, if not all, were already using the defendant's machine under licenses from him. The defendant wrote to them the letter complained of in the declaration. There were then some abor-

tive attempts at arranging the terms of an indemnity to be given by the plaintiffs to their customers; but those going off, the customers refused to buy the plaintiff's machine with the risk of litigation with the defendant."

At page 734, the Court pointed out that "no action precisely like this has ever been brought." Then, at page 737, the Court announced the same rule as that which the District Court announced below. At page 737 the Court said:

"But we think that as soon as it was shewn in evidence that the defendant really had a patent right of his own and was asserting it, the occasion privileged the communication, and the plaintiffs were bound to prove such malice as would support the action. * * * The advisers of the plaintiffs seem to have thought it was enough to maintain this action to shew that the defendant could not really have maintained any action, and that if well advised he would have been told so, so as in this action indirectly to try the question whether an action for the infringement of the patent could have been maintained; whereas, as we think, the action could not lie, unless the plaintiffs affirmatively proved that the defendant's claim was not a bona fide claim in support of a right which, with or without cause, he fancied he had; but a mala fide and malicious attempt to injure the plaintiffs by asserting a claim of right against his own knowledge that it was without foundation."

Thus, in 1869, there, for the first time, arose the conflict in viewpoint before this Court on review. Ohio went the way plaintiff asks this Court to go—England went the way the District Court went. We examine the history of the conflict in England.

In England the rule of *Wren v. Weild* was carried over into equity in the case of *Halsey v. Brotherhood* (1880), 15 Ch. Div. 514, affirmed (1881) 19 Ch. Div. 386.

At this point, the legislature of England by the Act of August 25, 1883 overruled the doctrine of *Wren* and *Halsey* as being contrary to the public policy of that country.

The favorable response of the courts was immediate. In *Driffield & East Riding Pure Linseed Cake Company v. Waterloo Mills etc. Co.* (1886), 31 Ch. Div. 638, 642:

"* * * The law, as it stood before the new Patents Act enabled persons who were patentees, to fulminate their threats against anybody they liked, cautioning them not to invade the rights which the patentees, or alleged patentees, said or thought they had. *To put a stop to this, an alteration in the law was made.*" (emphasis added).

In *Skinner & Co. v. Shew & Co.* (1892), 1 Chan. 413, the Court discussed *Wren, Halsey* and the new patent act:

"* * * we all know, as a matter of history that this section in the *Patents Act* was introduced into the Act, partly in consequence of the decision of the Court in *Halsey v. Brotherhood* (1). The headnote to that case, which is sufficient for my present purpose, is as follows: 'A patent, so long as it subsists, is *prima facie* good, and therefore a patentee who issues notices against purchasing from a vendor alleging infringement of his patent is not bound to follow up his notices by taking legal proceedings; and, provided he issues the notices *bona fide* in assertion of what he believes, though erroneously, to be his legal rights under his patent, he does not render himself liable to an action by the vendor for damages for injury caused by issuing them; though he may be liable, notwithstanding his *bona fides*, to be restrained by injunction from continuing to issue the notices, if it is proved in the action for an injunction that his allegation of infringement is untrue. .'"

"Now the object of this enactment was to cure two blots—first of all, to give an action for damages where there was not one before, and secondly to enable an action to be brought against a man who uses these threats unless he will, or does follow up his threat by commencing an action himself. That is the key note."

The Court then discussed the question of privilege stating, page 422:

"Then we are urged to say that a letter which is in answer to a question is privileged. It appears to me that the question of privilege is far away from the subject of this inquiry. There is nothing in the nature of privilege in this matter, either at common law or under the statute, and certainly not under the statute."

Judge Bowen, in discussing the matter said, p. 423:

"* * * It is to be observed, that in order to make good such a cause of action at Common Law, or to make good such an application for interference by a Court of Equity, you must shew that the statement was false and malicious, a wilful act done without just cause or excuse. And in the case of a person putting forward in the maintenance of what he conceived to be his rights, a false statement which was not itself defamatory believing it to be true, even if the statement did damage to another person, an action would not lie at Common Law, and the Court of Equity would not interfere. Why? Because he would be acting upon his rights in putting forward his own case. The law would not accordingly interfere, and a threat about an infringement, or alleged infringement, could not therefore be made the subject of an action or a suit unless the plaintiff was prepared to show that it was made *mala fide*, and that there was no reasonable excuse for it."

Judge Bowen then showed the fallacy of the former English rule and the correction of the mischief by the legislature, p. 423;

"* * * But it is to be observed that such a state of law threw an *onus* on those who were in fact aggrieved, which made almost nugatory the remedy in a case of assertions of patent right, the effect of which was to paralyse the trade of others. Because it would be extremely difficult to prove that the persons complained of had put forward these assertions of patent right maliciously, or without just cause or excuse. And apparently the Legislature were of opinion that there was a mischief which was not touched by the Common Law and which they should cure."

At page 424, the Court adopted almost the same thought as that expressed in *Watson v. Trask*, stating:

"* * * Now, every person of common sense knows what is involved in patent actions and what the expense of them is, and everybody knows that to be threatened with a patent action is about as disagreeable a thing as can happen to a man in business, and is the thing most calculated to paralyse a man in his business, even if he be innocent of any infringement of patent law."

We submit that when the jurisdiction which begat the rule contra the Ohio rule has legislated the rule away and when the courts of that jurisdiction in re-evaluating the question of liability have adopted language analogous to the language of the Ohio *Watson* case, that logic and common sense would indicate that an Ohio court would retain its own rule rather than to adopt a later established contrary rule proven to be genetically unsound.

And in this country too, the general tendency has been to break away from the old *Wren* rule, usually by ignoring it. Exemplary authorities are numerous.

In *American Well Works v. Layne* (1916), 241 U.S. 257, the Court, in an opinion by Mr. Justice Holmes, stated of allegations of false charges that plaintiff was infringing defendant's patents, page 259:

"* * * If it is a statement of fact, it may be justified, absolutely or with qualifications, by proof that the statement is true. But all such justifications are defenses and raise issues that are no part of the plaintiff's case. * * * What makes the defendant's act a wrong is its manifest tendency to injure the plaintiff's business, and the wrong is the same whatever the means by which it is accomplished."

In *American Ball Co. v. Federal Cartridge Corp.* (8th Cir. 1934), 70 F.2d 579, 98 A.L.R. 665, the Court stated, 70 F.2d 582:

"* * * it may well be that if the patentee should fail to establish his rights as claimed by him that he might be subject

to an action for damages (because of such false, though honestly believed, statements) on the part of the one mistakenly prosecuted for infringement * * *."

In *E. Edelmann & Co. v. Triple-A Specialty Co.* (7th Cir., 1937), 88 F.2d 852, cert. den. (1937) 300 U.S. 680, the Court of Appeals affirmed the award of damages notwithstanding the complete absence of findings bearing on the existence of malice or the absence of good faith (R. 72-75).

Judge Learned Hand, in a dissenting opinion in *Eastern States Petroleum Co. v. Asiatic P. Corp.* (2nd Cir. 1939), 103 F.2d 315, said at page 322:

"* * * It seems to me strange that such a privilege should exist, if the claim be unwarranted, and I should try to reach an opposite conclusion, if the point were necessary to decide."

In *Black & Yates v. Mahogany Ass'n* (3rd Cir., 1941), 129 F.2d 227 (cert. den.), 317 U.S. 672, the Court said, pp. 229-230:

"The right of action for disparagement of property was slow in developing at common law. The early cases took a Shaksperian view. So they lagged behind the analogous attack on personality by way of defamation, although an attack on what a man owns and sells would seem to be just as injurious as an attack on what he is. As one might expect the classic exposition is by Professor Jeremiah Smith. After the courts crystallized the tort certain elements remained uncertain. There was not entire agreement on two points, the always technical and confusing conception of malice and the matter of special damage. The learned professor takes the position that in disparagement of quality the rival competitor is not entitled to the qualified privilege of the rival claimant for title and so malice need not be shown in forfeiture thereof * * *¹¹"

Footnote 11 referred to in the Court's opinion states:

"¹¹Smith, *Disparagement of Property*, above cited, p. 139. He says: 'But, on the other hand, a competing trader's omission to disparage the quality of his rival's goods does not involve the loss of his title to his own goods. By disparaging the quality of his rival's goods he may be enabled to sell his own goods to better advantage. But the possibility of his enjoying this benefit does not furnish a sufficient reason why the law should confer upon him *prima facie* protection in uttering disparaging statements, which turn out to be untrue in fact and which cause damage.' P. 142."

In summation on this legal issue, appellant submits most respectfully that the District Court erred in finding the existence of the qualified privilege. The cases upon which the District Court relied do not support the rule of privilege and indeed negate it. The determination of privilege is contrary to the Treaty of Paris, the Ohio Constitution, the Ohio Statutes, the Ohio case law, and persuasive authority from other jurisdictions.

The District Court Erred in Basing Good Faith Upon the Opinion of Experienced, Although Interested, Patent Counsel.

Even if good faith were a justification of a publication of a libel, defendant has not proved good faith. In the case at bar, the District Court found that defendant's charge and publications of patent infringement were made in good faith because they were based upon the opinion of experienced, although interested, patent counsel. Plaintiff submits that this conclusion is erroneous as a matter of law.

In the *first place*, advice of counsel has never been held by any court in Ohio to be a defense to any kind of a defamation. Appellant has found no case so holding and the District Court has cited none in support of its determination (Finding 8, R. 23).

On the contrary, as pointed out in the prior discussion of *McCue v. Wells* (1929), 121 Ohio State 53, the Ohio Supreme

Court has held that a defendant was entitled to prove that the statements contained in letters of infringement were true, but cast aside a contention that the letters were written and set in good faith and upon advice of competent counsel skilled in such matters. Since there is no Ohio authority which justifies one in defaming one of his competitors merely because he in good faith relied upon an opinion of counsel, and since such a defense was not approved the only time the question was presented for decision, we submit that it was error for the District Court to conclude that the instant charge was justified because it was based upon opinion of patent counsel.

In this same vein, it appears that the letters in *E. Edelmann & Co. v. Triple-A Specialty Co.* (7th Cir., 1937), 88 F.2d 852, cert. den. (1937), 300 U.S. 680, 81 L.ed. 884 (Determination 6); in *W. M. Petersime & Son v. Robbins* (10th Cir., 1936), 81 F.2d 95, cert. den. (1936) 299 U.S. 553, 81 L.ed. 407, and in *International Industries and Developments, Inc. v. Farbach Chemical Co., Inc.* (S.D. Ohio 1956), 145 F. Supp. 34; affirmed (6th Cir. 1957), 241 F.2d 246, were in fact supported by opinions of patent counsel. Indeed, in *Petersime*, and in *International* as appears from the decisions themselves, the very letters which were found actionable were letters of patent counsel.

In the *second place*, even if we were by analogy to apply the rules which Ohio applies in malicious prosecution cases, it would still appear as a matter of law that defendant was not entitled legally to rely upon the instant opinion of counsel.

The one fact which precludes reliance upon the instant opinion, even if we were to adopt the defense contra *McCue v. Wells*, is that counsel was not disinterested. In the case at bar, Mr. McCaleb, whose advice was given and alleged to be taken, was the president and a director of defendant. His opinion therefore, to a certain extent, is that of a person advising himself in his own interest. Kemart submits that no lawyer, however skilled,

can advise himself as to the right and propriety of a charge of infringement and when prosecuted for publishing it, rebut all malice by showing that he advised himself. And the Ohio courts follow this common sense principle.

In *Union v. United Battery Service Co.* (1929), 35 Ohio App. 68, 171 N.E. 608, the syllabus of the Court stated as follows:

"2. In action for malicious prosecution, instruction that attorney's advice furnished probable cause *held* erroneous, where attorney was director of prosecuting company."

"3. Honest advice of attorney, known by client to be interested in subject-matter and result, is insufficient showing of probable cause for malicious prosecution."

In that case, plaintiff sought damages against defendant for malicious prosecution and false arrest. Defendant offered testimony in its behalf that it relied upon the advice of competent counsel. It was shown that, as here, the counsel was an officer of defendant, being one of its directors. At 171 N.E. 609, in reversing the trial Court for instructing the jury that it could rely upon such an opinion, the Court cited *White v. Carr* (1880), 71 Maine 555, where the court there said at page 557:

"* * * when the attorney is directly interested in the subject matter of the suit, and his interest is known to the client, the client has no right to presume that he will give him an unbiased opinion; and if he takes it and acts upon it, and it turns out to be erroneous, it will afford him no justification. The client knows that he has not consulted a disinterested and unbiased attorney."

In the *third* place, even if advice of counsel were a defense, and even if counsel had been independent, defendant has not proved all of the elements of the defense. *Norcross v. Commercial Credit Co.* (1950), Ohio Appeals unreported, 55 N.E. 2d 598 states, at page 599:

"There are many elements entering into the defense of advice of counsel, among which are:

- "1. Was the advice of counsel in fact obtained?
- "2. Was a full and fair disclosure of all the facts made by defendant to his counsel?
- "3. Was reasonable diligence exercised by defendant in ascertaining the true facts?
- "4. Did the defendant in good faith seek and follow the advice given by his counsel?"

In the case at bar, defendant did not prove full and fair disclosure of all the facts (item 2), reasonable diligence in ascertaining the true facts (item 3), or reliance on the advice (item 4).

The good faith and absence of malice Findings No. 1-D, 6 and (R. 27-29) are all premised upon Finding 2 (R. 27) and must therefore fall with Finding No. 2.

In summation, appellant therefore submits that the District Court erred as a matter of law in finding that advice of counsel was justification for defendant's conduct: (1) advice of counsel was not a defense to a defamation in Ohio; (2) advice of interested counsel is not a defense to any tort in Ohio; and (3) defendant has not proved the elements of advice of counsel if otherwise available as a defense.

the Court Erred in Finding Justification in Plaintiff's Publications.

In its Findings No. 4, 5 and 7 (R. 28), the District Court made reference to several publications of plaintiff and defendant without drawing any legal conclusions from the facts found (R. 30-31), but containing the implication that they justify defendant's conduct. Appellant submits that, as a matter of law, these findings do not justify the defendant's defamation.

A *first* aspect of these findings is that "plaintiff itself published the charge of infringement in Ohio" (Finding No. 4, R. 28); that in response to plaintiff's publication in Ohio, defendant there published the charge of infringement" (Finding No. 5, R. 28);

and that "Defendant's publications were directed to the same interested persons to whom plaintiff's publications were directed" (Finding No. 7, R. 28). Appellant submits that there is not a scintilla of evidence to support any portion of these findings premised upon plaintiff's publication in Ohio.

Mr. Adams admittedly discussed the letter with Mr. Mertle, but this was no publication since the parties are in agreement that Mr. Mertle was a technical adviser for plaintiff (R. 96, 147). Mr. Adams was certain that he did not mention the letter to Mr. Flader (R. 140) or to Mr. Schmidt (R. 138), but that they mentioned it to him (R. 95). *There is no evidence to the effect that Mr. Adams told either of them or that he told Mr. Latimer about the letter.* Others who knew about the letter were Mr. Marx, Mr. Pensinger (R. 94-95, 181), Mr. Frye (R. 181, 191) and possibly others (R. 181). Any one of these could have told Messrs. Flader, Latimer and Schmidt about the controversy, particularly in view of the last paragraph of the McCaleb letter which recommends that "all users of the Kemart process, insofar as you are able to identify them" be notified (R. 204).

Appellant notes particularly that defendant's nearly contemporaneous admission of publication made of record in January 1949 (R. 147) does not include the July 1956 explanation that the persons approached Marx (R. 181-183).

Appellant submits that even if it were assumed—contrary to the evidence, that the record did support an inference that plaintiff published the charge of infringement at Ohio, still the finding would fail, for then it would fall within the rule announced by the Supreme Court in the celebrated case of *Penna. R. Co. v. Chamberlain* (1932), 288 U.S. 333, 339:

"We, therefore, have a case belonging to that class of cases where proven facts give equal support to each of two inconsistent inferences; in which event, neither of them being established, judgment, as a matter of law, must go against

the party upon whom rests the necessity of sustaining one of these inferences as against the other * * *."

A *second* aspect of these findings is that plaintiff "subsequently caused the charge of infringement to be published in a trade magazine of nationwide circulation wherein the infringement was denied and defendant was accused of wrongful conduct." (Finding No. 4, R. 28). The District Court had reference to defendant's exhibit NN (R. 284-286). Nothing in this publication was untrue (R. 120). As a matter of law this publication is not a defense to the appellant's claim for damages.

As early as *Seely v. Cole* (1834), Wright 681, the Ohio Supreme Court considered this specific question. In that case, defendant offered in evidence "a paper purporting to be plaintiff's answer to the libel, and to prove its publication in the newspaper." The Ohio Supreme Court held:

"* * * It is not material whether he has published it. You cannot set off one libel against another, and the after publication by the plaintiff could not enter into the motive for the defendant's publication."

And in *Udovichky v. Bacheff* (1921), 187 N.Y.S. 474, the court said, p. 475:

"* * * Plainly the alleged slanders subsequent to the libel could in no view constitute a justification therefor; * * *."

Furthermore, the letter and the publication were but a natural consequence of the libelous publication which defendant instituted at the Cleveland Convention. We find no Ohio case in point as to this form of publication, but we do find pertinent authorities from other jurisdictions.

In *Davidian v. Parparian* (1932), 115 Conn. 718, 161 Atl. 796, at p. 797, it is said:

"* * * It was the right of the plaintiff to bring the action, and her act in so doing was the natural and probable result

of the slander, and that slander was the proximate cause of the publicity incident to the action and the damages thereby accruing to her."

Indeed, several cases hold that the expenses of such prophylactic publicity are chargeable to the person who defamed the plaintiff.

For example, in *Maytag Co. v. Meadows Mfg. Co.* (7th Cir. 1931), 45 F.2d 299 cert. den. (1931), 283 U.S. 843, the Court, in an opinion by then District Judge Lindley, said, at page 302:

"* * * Appellee was put to great expense in counteracting this propaganda, and in reassuring dealers and customers of the exact status of the litigation and of the relationship between appellant and appellee."

And in *Ira M. Petersime & Son v. Robbins* (10th Cir., 1936), 81 F.2d 295, cert. den. (1936), 299 U.S. 553, the Court said, at page 297:

"* * * He issued circulars at a cost of between two and three thousand dollars 'to ease the minds of prospective purchasers,' went to see some of them himself, and sent his agents to other prospective purchasers who were hesitant because of Petersime's conduct. * * *"

A *third* aspect of these findings is that defendant's publication at the convention was "in response to plaintiff's publication in Ohio" (Finding No. 5, R. 28); and that defendant's publication in the trade magazine was "in response to plaintiff's prior publications" (Finding No. 5, R. 28).

The law is settled that defendant had no right to libel the plaintiff in response to plaintiff's publication.

For example, in *Sternberg Mfg. Co. v. Miller Du Brul & Peters Mfg. Co.* (8th Cir., 1909), 170 Fed. 298, there were cross publications of the type at bar. By contrast, the publications asserting infringement were proven to be true and those denying infringement were proven to be false. The patentee brought an action

of defamation and the alleged infringer defended on the ground that his publication was merely a response to the earlier publication of the plaintiff. The Court struck down this argument, stating, p. 300:

"* * * The charge that defendant could not libel the plaintiff in retaliation for its offenses was clearly right. One can no more take the law into his own hands, and counteract the effect of one libel with another, than he can take satisfaction for a past physical assault by administering one to the assailant."

Indeed, under the Ohio law as set forth in *Hilbrandt v. Simmons* (1898), 18 Ohio C.C. Dec. 123, 133-134, a libel even if made by way of retort in the heat of anger during an argument is not a complete defense to a libel, but may be set forth only by way of mitigation of damages.

And in *Gould v. Weed* (1834), 12 Wendell (N.Y.) 12, the defendant relied upon a certain publication by plaintiff. The Court refused to receive it in evidence and defendant claimed error. In holding no error, the Court said (p. 25):

"* * * Now, in what way the previous publications of the plaintiff would tend to explain or mitigate the harshness and severity of this charge, was not attempted to be shown on the argument; and, after an attentive examination of them, I am unable to discover how they can have such effect. The article secondly offered in evidence by the defendant is but the explanation of certain rumors put forth by the defendant and impeaches nobody * * *."

The defendant's second publication, taking place as it did in May of 1949, was five months after the plaintiff's November and December publications of plaintiff's response to defendant's initial publication. This is too late to be considered as provocation. The authorities unanimously agree that a responsive publication, to be privileged or to be considered in mitigation of damages, must immediately follow the publication claimed to be provocative.

A leading, although recent, case discussing the question is *Conroy v. Fall River Herald News Co.* (1940), 306 Mass. 488, 28 N.E.2d 729, 731; 132 A.L.R. 927. In that case, at 28 N.E.2d 731, the Court said:

"Upon either theory, the provocation to be considered in mitigation of damages, must be very recent, and the retort its natural consequence. If there was time for passion to subside, the provocation cannot be considered. * * *"

We find no Ohio authority discussing the exact question, but since the rule appears to be one of universal application, we assume that Ohio follows the weight of authority as collected in an annotation, *Provocation as Mitigating Damages in Action for Libel or Slander*. 132 A.L.R. 932, 945-947.

Moreover, under the rule in Ohio, the defendant's second and third publications would, we submit, be evidence to show that the initial publication was malicious. As stated in the *Alliance Review Pub. Co. v. Valentine* (1895), 9 Ohio C.C. Dec., 387, 391:

"* * * We think that it is well settled that a second publication of a libel is competent evidence to show the malicious intent of the defendant."

Appellant submits therefore that, as a matter of law, Findings No. 4, 5 and 7 (R. 28) are not available to justify the defendant's conduct.

PLAINTIFF SHOULD HAVE BEEN AWARDED REASONABLE ATTORNEY'S FEES

Plaintiff premises its right to reasonable attorneys' fees upon the patent statutes and upon the exceptional conduct of the defendant in this case.

U. S. Code, Title 35, Section 285, provides:

"The Court in exceptional [patent] cases may award reasonable attorney's fees to the prevailing party."

This case is exceptional in many different facets.

First, defendant published its false charges of patent infringement without warrant of the law and without a factual investigation.

Second, defendant made its charges of infringement precipitating this action and filed its counter-claim for alleged infringement basing its assertions largely upon hearsay and theoretical considerations.

Third, defendant frustrated every attempt to take Marx's deposition in Santa Barbara for two full days, requiring plaintiff to file motion to compel the witness to answers questions. Only after plaintiff and its counsel traveled to Los Angeles for the hearing did defendant stipulate that all questions would be answered if the deposition were resumed in Santa Barbara at a later date.

Fourth, defendant misrepresented the state of the prior art.

Fifth, defendant misrepresented the scholastic abilities of its only expert, a matter of great weight and consequence in view of the "theoretical" nature of defendant's investigations.

Sixth, defendant insisted upon an onerous supersedeas bond, even to the extent of putting plaintiff into bankruptcy.

Seventh, defendant refused to permit plaintiff to be relieved of the injunction in order to practice the *blue* light procedures which are far beyond any interpretation of the Marx patent.

Plaintiff submits that if there is any case warranting attorney's fees that this is such a case.

Examples of cases allowing attorney's fees in cases involving more or less extraordinary behavior on the part of a patent litigant include:

Barber-Colman v. Sampsel Time Control (D.C. Ill. 1948),
78 F. Supp 770;

Blanc v. Spartan Tool Co. (7th Cir. 1949), 178 F.2d 104
(\$7,500.00 attorney's fees);

- Falkenberg v. Bernard Edward Company* (D.C. Ill. 1950), 85 U.S.P.Q. 127, not reported in F. Supp. (\$6,877.14 attorney's fees);
- Brennan v. Hawley Products Co.* (D.C. Ill. 1951), 98 F. Supp. 369 (\$3,000.00 attorney's fees);
- Algren Watch Findings Co. v. Kalinsky* (D.C. N.Y. 1951, 91 U.S.P.Q. 369, affirmed (1st Cir., 1953) 197 F. 2d 69, 72 (\$2,500.00 attorney's fees);
- Russell Box Co. v. Grant Paper Box Co.* (2nd Cir. 1952), 203 F.2d 177, 181, 184, cert. den. (1953) 346 U.S. 821, reh. den. (1953) 346 U.S. 905 (\$30,000.00 counsel fees in trial court and \$2,500.00 in court of appeals);
- E. V. Prentice Co. v. Associated Plywood Mills* (D.C. Oregon, 1953), 113 F. Supp. 182, (\$7,500.00 attorney's fees); and
- International Industry and Developments Inc. v. Farbach Chemical Company* (S.D. Ohio 1956), 145 F. Supp. 34, affirmed (6th Cir. 1957) 241 F.2d 246 (\$15,000.00 attorney's fees).

Of the foregoing cases, the *Falkenberg*, the *Russell Box* and the *Prentice* cases are perhaps the most significant. In the *Falkenberg* and *Russell Box* cases, as in the case at bar, the person sought to be charged with attorney's fees had been successful in the trial Court, and such success was unavailing to him. In the *Falkenberg* case, the Court cited the instances of "where a defendant prolongs the litigation to increase the plaintiff's expenses" as one example of "inequitable conduct for which there should be some compensation to the prevailing party" (85 U.S.P.Q. 128). In the *Russell Box* case the Court held controlling "carelessness in ascertaining the facts, carelessness in construing claim 3 or a combination of the two." (203 F.2d 183). In the *Prentice* case, the attorney's fees were awarded to a declaratory judgment plaintiff.

International Industries, the attorney's fees were awarded because the issuance of infringement was done in implied malice law.

Plaintiff submits therefore that under the authorities this case is ideal example of a case justifying an award of attorney's fees. In denying the award of attorney's fees, the District Court based decision largely upon the fact that the misrepresentations were not material (Findings 11 and 12, R. 29).

The Supreme Court, of an analogous view in *Hazel-Atlas Co. v. Hartford Co.* (1944), 322 U.S. 238, stated at page 246:

"The Circuit Court also rested denial of relief upon the conclusion that the Clarke article was not "basic" to the Court's 1932 decision. Whether or not it was the primary basis for that ruling, the article did impress the Court, as shown by the Court's opinion. Doubtless it is wholly impossible accurately to appraise the influence that the article exerted on the judges. But we do not think the circumstances call for such an attempted appraisal. Hartford's officials and lawyers thought the article material. They conceived it in an effort to persuade a hostile Patent Office to grant their patent application, and went to considerable trouble and expense to get it published. Having lost their infringement suit based on the patent in the District Court wherein they did not specifically emphasize the article, they urged the article upon the Circuit Court and prevailed. They are in no position now to dispute its effectiveness. * * *"

Counsel points out particularly that exhibit J was the only demonstrative exhibit which the defendant offered to show the state of the prior art, and that Walter Marx was the only witness which defendant offered at the trial to explain the technical operations of both plaintiff's and defendant's procedures. Since these are the two most important issues on the questions of validity and infringement, defendant in the case at bar should not be permitted to dispute the effectiveness of the misleading testimony.

There remains the question as to whether the discretion of the District Court in allowing or denying attorneys fees is reviewable. One of the grounds warranting review is where the Court's exercise of discretion below amounted to an erroneous conception of law. See *Shingle Products Patents v. Gleason* (9 Cir. 1954), 211 F.2d 437. In the case at bar, appellant submits that the District Court erred in the conception of the principles applicable to the defendant's conduct of the patent infringement issues and that the denial of an award of attorney's fees is therefore reviewable.

Moreover, in the case at bar, the allowance of attorneys fees does not rest of necessity upon U.S. Code, Title 35, Section 285. If this Court is of the view that plaintiff is entitled to damages because of the wrongful charges of patent infringement, then plaintiff is entitled to attorney's fees as a part of its expenses in clearing up the defamation by virtue of the substantive law of Ohio.

Under the Ohio law, expenses of litigation including attorneys' fees are an element of the damages. The general rule as to the conflict of laws on damages is stated in 15 C.J.S. 956, Conflict of Laws, § 22 k., as follows:

"According to the general rule as stated in the C.J.S. title Damages § 4, also 17 C.J. p. 719, note 33, 62 C.J. p. 1114, note 17, in actions for tort the measure and elements of damages pertain to the substance of the right and not to the remedy, so that such matters are generally regarded as being regulated by the law of the place in which the tort was committed—the *lex loci delicti*."

Under the Ohio law, it is quite clear that a plaintiff should be completely compensated for his damages, including his expenses and costs in litigating the matter.

In *Stevens and Wife v. Handly* (1832), Wright 121, the Court held that the damages

"* * * should be sufficient to cover all the expenses and costs of plaintiff's in litigating the matter, including their loss of time—such as will make them whole."

The rule is also applied in *Sexton v. Todd* (1833), Wright 316, comprehending

“such sum as will *compensate* the plaintiff for the trouble and expenses of clearing up the charge.”

In *Finney v. Smith* (1877), 31 Ohio State 529, the foregoing rules are stated to be applicable without regard to the question of malice.

Kahn v. Cincinnati Times Star (1890), 8 Ohio N.P. 616, 620, affirmed without report 52 Ohio State 662; and *Dabney v. Russell* (1935) 50 Ohio App. 43, 46; 197 N.E. 409, 410 are in accord.

CONCLUSION

In conclusion, appellant submits that the judgment of the District Court should be reversed with directions to award plaintiff its damages and reasonable attorneys' fees.

Respectfully submitted,

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